

# **Inventory and Evaluation of the State's Public Infrastructure Programs and Funds**

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## **Attachments A - D**



**Office of  
Financial Management**  
State of Washington

December 16, 2005



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**Prepared by:**

**BERK & ASSOCIATES**

120 Lakeside Avenue  
Suite 200  
Seattle, Washington 98122  
P (206) 324-8760

[www.berkandassociates.com](http://www.berkandassociates.com)

<b>Principals:</b>	Bonnie Berk and Michael Hodgins
<b>Project Manager:</b>	Brian Murphy
<b>Analysts:</b>	Bonnie Berk, Brian Murphy, Mike Babb, Natasha Fedo, Meghann Glavin, Jon McConnel, Tralee McGinness, Erica Natali, Michael Regnier, Morgan Shook, Marty Wine, Katie Wise
<b>Report Production:</b>	Meghann Glavin, Jon McConnel, Erica Natali

# **INVENTORY AND EVALUATION OF THE STATE'S PUBLIC INFRASTRUCTURE PROGRAMS AND FUNDS**

## **ATTACHMENTS A - D**

Attachment A. Program Inventory – Summary Tables

Attachment B. Program Inventory – Detailed Tables

Attachment C. Program Inventory – Summary of Other Local Infrastructure Investment Programs

Attachment D. Funding Inventory



**ATTACHMENT A**

**SUMMARY TABLES OF  
BASIC AND OTHER LOCAL INFRASTRUCTURE  
FUNDING PROGRAMS**



## Exhibit A-1 Basic Infrastructure Funding Programs

	Awarded 2004	Capital Budget 2005-7	Grant	Loan	Drinking Water	Storm Water	Flood/Irrigation Management	Housing	Health Facilities	Community Facilities	Outdoor Recreation	Transportation	Other Utilities	Business & Economic Development Facilities
<b>Public Works Board</b>														
Public Works Trust Fund Construction Loan	\$155,000,000	\$248,300,417	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Public Works Trust Fund Emergency Loan	\$2,154,890	\$3,000,000	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
<b>Community Economic Revitalization Board</b>														
Traditional and Rural Construction Programs	\$6,318,137	\$20,448,657	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Job Development Fund	\$0	\$0*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
* \$50 million in Legislature-selected projects will be administered by staff in 2005-7. Beginning in 2007-9, \$50 million in grants will be awarded each biennium.														
<b>Dept. of Health / Public Works Board</b>														
Drinking Water State Revolving Fund	\$39,000,000	\$20,000,000	✓		✓									
Water System Acquisition and Rehabilitation	\$4,000,000	\$2,000,000	✓		✓									
<b>Community Development Block Grant</b>														
CDBG Community Investment Fund Grant	\$5,137,187	\$4,107,728	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
CDBG General Purpose Grant	\$10,201,164	\$2,168,448	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
CDBG Housing Enhancement	\$624,578	\$800,000	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
CDBG Imminent Threat Grant	\$0	\$166,000	✓	✓	✓	✓	✓	✓	✓			✓		
<b>Dept. of Ecology Water Quality</b>														
Centennial Clean Water Fund	\$11,176,478	\$38,000,000	✓	✓	✓	✓					✓			
Water Pollution Control Revolving Fund	\$85,161,045	\$239,616,286	✓	✓	✓	✓								
<b>Dept. of Ecology Water Resources</b>														
Drought Preparedness	\$1,600,000	\$6,600,000	✓	✓			✓	✓						
Referendum 38 - Water Supply Facilities	\$7,000,000	\$0	✓	✓			✓	✓						
Water Infrastructure Program	\$5,800,000	\$12,000,000	✓	✓			✓	✓						
<b>Dept. of Ecology Shorelands &amp; Environmental Assistance</b>														
Flood Control Assistance Account	\$1,214,000	\$2,100,000	✓				✓							
<b>Dept. of Ecology Solid Waste</b>														
Coordinated Prevention Grant	\$18,100,000	\$14,200,000	✓				✓							
Safe Drinking Water Action Grants	\$75,750	\$3,000,000	✓		✓		✓							
<b>Number of Programs Funding this Infrastructure Category</b>			<b>14</b>	<b>8</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>6</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>

Source: Berk & Associates, 2005

## Exhibit A-2

### Other Infrastructure funding programs

	Capitol Budget		Grant	Loan
	2003-5	2005-7		
<b>CTED, Member- or Governor-Added Capital Projects</b>				
Local/Community Projects Programs	\$52,524,500	\$39,390,000	<input checked="" type="checkbox"/>	
Jobs in Communities Programs	NA	\$12,250,000	<input checked="" type="checkbox"/>	
<b>CTED, Competitive Capital Programs</b>				
Building for the Arts	\$4,468,000	\$5,390,000	<input checked="" type="checkbox"/>	
Community Services Facilities Program	\$5,931,280	\$5,350,000	<input checked="" type="checkbox"/>	
Youth Recreational Facilities Program	\$0	\$3,300,000	<input checked="" type="checkbox"/>	
<b>CTED, Business Assistance Programs</b>				
Child Care Facility Fund	\$360,000	\$117,000	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rural Washington Loan Fund	\$8,023,969	\$4,126,905		<input checked="" type="checkbox"/>
<b>Historic Preservation Programs</b>				
Heritage Capital Project Fund	\$4,000,000	\$4,612,500	<input checked="" type="checkbox"/>	
Historic Preservation Fund	\$2,854,931	\$5,000,000		
<b>Housing Assistance Programs</b>				
Housing Trust Fund	\$80,000,000	\$97,500,000	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Farmworker Housing Infrastructure Loan Program	\$0	\$2,500,000		<input checked="" type="checkbox"/>
<b>K-12 School Construction</b>				
School Construction Assistance Grants	\$405,900,000	\$617,400,000	<input checked="" type="checkbox"/>	
<b>Outdoor Recreation</b>				
Boating Facilities Program	\$7,506,959	\$8,350,000	<input checked="" type="checkbox"/>	
Boating Infrastructure Grant Program	\$2,000,000	\$190,000	<input checked="" type="checkbox"/>	
Firearms and Archery Range Recreation Program	\$250,000	\$223,000	<input checked="" type="checkbox"/>	
Land and Water Conservation Fund	\$5,654,710	\$4,365,000	<input checked="" type="checkbox"/>	
National Recreational Trails Program	\$2,101,800	\$2,185,500	<input checked="" type="checkbox"/>	
Nonhighway Offroad Vehicle Account	\$6,926,310	\$7,579,000	<input checked="" type="checkbox"/>	
Washington Wildlife and Recreation Program	\$45,000,000	\$48,500,000	<input checked="" type="checkbox"/>	
Youth Athletic Facilities Program	\$1,789,512	\$0	<input checked="" type="checkbox"/>	
<b>Pre- and Post-Disaster Relief</b>				
Pre-Disaster Mitigation Competitive				
Flood Mitigation Assistance Program				
Public Assistance Program		Information Forthcoming		
Hazard Mitigation Grant Program				



**ATTACHMENT B**

**DETAILED INVENTORY OF  
BASIC LOCAL INFRASTRUCTURE FUNDING PROGRAMS**



# **ATTACHMENT B**

## **DETAILED INVENTORY OF**

### **BASIC LOCAL INFRASTRUCTURE FUNDING PROGRAMS**

This Attachment contains program-level descriptions and findings derived from basic research and more in-depth interviews. Summary information is contained in a standard format for each of the programs. Programs inventoried in this attachment include:

#### **Public Works Trust Fund**

Construction Loan Program .....	B-3
Emergency Loan Program .....	B-8

#### **CERB Traditional and Rural Programs..... B-12**

#### **CERB Job Development Fund Program ..... B-17**

#### **Drinking Water State Revolving Fund ..... B-21**

#### **Water System Acquisition and Rehabilitation Program..... B-26**

#### **Community Development Block Grant**

Community Investment Fund Grant.....	B-30
General Purpose Grant.....	B-33
Housing Enhancement Grant.....	B-36
Imminent Threat Grant.....	B-39

#### **Water Quality Program**

Centennial Clean Water Fund .....	B-42
Water Pollution Control Revolving Fund .....	B-46
Water Infrastructure Program .....	B-50

#### **Water Resources Program**

Drought Preparedness.....	B-53
Referendum 38 - Water Supply Facilities .....	B-55

#### **Flood Control Assistance Account Program..... B-57**

#### **Coordinated Prevention Grant ..... B-60**

#### **Safe Drinking Water Action Grants ..... B-64**



## PUBLIC WORKS TRUST FUND CONSTRUCTION LOAN PROGRAM

**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Public Works Board

### GENERAL INFORMATION

**Program Purpose:** The Public Works Trust Fund Construction Loan Program (PWTF) is a revolving low interest loan fund to help local governments and special districts finance critical public works needs. Eligible activities include repair, replacement, rehabilitation, reconstruction, or improvement of water, sewer, storm road, bridge, and solid waste/recycling public works systems to meet current standards for existing users, and reasonable population growth.

**Mission Statement:** The Washington State Public Works Board assists Washington's local governments and private water systems meet their critical infrastructure needs.

**Year Established:** 1985

**Founding Statute Number:** RCW 43.155

**Governing Board's Role:** The Public Works Board was established to manage the Public Works Trust Fund. The Board approves the project list before sending it to the Legislature. The Legislature may delete, but not add, projects from the Board's proposed list, though no projects have ever been eliminated.

**Legislative Intent:** RCW 43.155.010

It is the policy of the state of Washington to encourage self-reliance by local governments in meeting their public works needs and to assist in the financing of critical public works projects by making loans, financing guarantees, and technical assistance available to local governments for these projects.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$290,520,707	\$253,827,911	\$368,000,000	\$248,300,417	8.4 *

**Fund Account(s):**

058-1 - Public Works Assistance Account

**Funding Source(s):**

Initially established with proceeds from bonds.

Today, repayments of loans are the largest source of funds - 41%.

Also: four taxes:

100% of the Solid Waste Tax

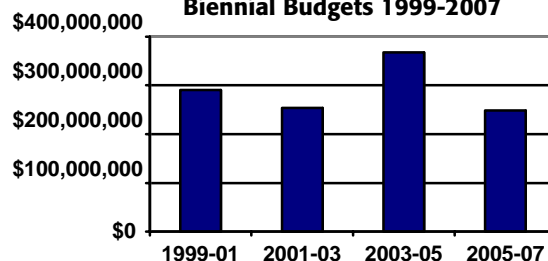
60% of the Public Utility Tax on Sewerage Collection

20% of the Public Utility Tax on Water Distribution

6.1% of the state portion of the Real Estate Excise Tax

\* This represents the total FTEs for the Public Works Trust Fund, not just for the Construction Loan Program.

**Biennial Budgets 1999-2007**



**Recent Changes to Funding Pattern:** The 2005 Legislature earmarked \$125 million of the Public Works Assistance Account for purposes other than PWTF loans:

- ESHB 6094 - \$50 million in Section 138 of the Capital Budget for 14 job/economic development grants in the 2005-07 biennium
- ESHB 1903 - \$50 million: CERB Job Development Fund for the 2007-09 biennium
- ESHB 6050 - \$25 million (this is the 2005-07 biennium estimate; it will probably increase biennially). Redirected a portion of the percentage of the Real Estate Excise Tax dedicated to the PWAA. This is a permanent redirect.

## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☐ Tribes
- ☒ Special District

### Eligible Program Categories:

- ☒ Drinking Water
- ☒ Wastewater
- ☒ Stormwater
- ☒ Solid/Hazardous Waste
- ☒ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☒ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☐ Grants
- ☒ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** Yes

**Average or Range of Awards:** Maximum of \$7 M (previous biennium maximum was \$10 M). Average of \$3 M.

**Number of Awards in 2004:** 64

**Total Awarded in 2004:** \$155,000,000

**Specific Project Types Funded:** Eligible activities include repair, replacement, rehabilitation, reconstruction, or improvement of eligible public works systems to meet current standards for existing users, and may include reasonable growth. Reasonable growth is generally considered to be the twenty year growth projection included in the local government's Comprehensive Plan under the Growth Management Act (GMA).

**Funding for Each Project Type:** Awards are predominantly for water and sewer systems.

**Level of Match Required:** Minimum of 5%

### Interest Rate Charged:

- 15% Local Match = 0.5%
- 10% Local Match = 1.0%
- 5% Local Match = 2.0%

Loan terms are for the life of the project, or 20 years maximum

**Repayment Statistics:** No defaults.

**Application Process:** The PWTF's four Client Services Representatives (CSR) offer training and technical assistance to prospective applicants, up to and including one-on-one help with application questions. Submitted applications are reviewed by a CSR for eligibility before being rated by a 3-person team of staff members. Each member scores the application on Need (40 points max) and Effort (60 points max) based on criteria developed by the team during this stage. The team must reach consensus on a score before the application is placed on a Preliminary Ranked List of all scored applications. This list is presented to the Board, which guides staff on which projects to investigate further. The Board prepares a Final Recommended List based on staff research and input, and on coordination with other funding agencies. This list is presented to the Legislature in the form of a bill. Funds can be released only after the bill is signed into law and all relevant parties to the project sign agreements.

**Evaluation Criteria:** The four general areas in which the Public Works Trust Fund evaluate need are (listed by order of priority):

1. Public Health and Safety Issues
2. Environmental Issues
3. Economic Development Issues
4. System Performance Issues.

These four areas of need are evaluated through the following criteria:

- (a) Whether the local government receiving assistance has experienced severe fiscal distress resulting from natural disaster or emergency public works needs
- (b) Whether the project is critical in nature and would affect the health and safety of a great number of citizens
- (c) The cost of the project compared to the size of the local government and amount of loan money available
- (d) The number of communities served by or funding the project
- (e) Whether the project is located in an area of high unemployment, compared to the average state unemployment
- (f) Whether the project is the acquisition, expansion, improvement, or renovation by a local government of a public water system that is in violation of health and safety standards, including the cost of extending existing service to such a system
- (g) The relative benefit of the project to the community, considering the present level of economic activity in the community and the existing local capacity to increase local economic activity in communities that have low economic growth
- (h) Other criteria that the board considers advisable

**Criteria Changes:** With the passage of HB 1785 in the 2001 Legislative Session, the Legislature required several statewide funding programs, including the Public Works Trust Fund, to modify their funding process. The directive given to the Board reads:

"In providing loans for public works projects, the (Public Works) Board shall require recipients to incorporate the environmental benefits of the project into their applications, and the Board shall utilize the statement of environmental benefits in its prioritization and selection process. The Board shall also develop appropriate outcome focused performance measures to be used both for management and performance assessment of the loan program(s)."

The Board successfully argued that environmental benefit is only one of four reasons why local governments seek funding under RCW 43.155. The four areas that constitute "need" for financing from the Public Works Trust Fund are:

- 1) Public Health and Safety Issues

- 2) Environmental Issues
- 3) Economic Development Issues
- 4) System Performance Issues

**Process for Applicant:** Many clients submit multiple applications to multiple programs in the hope of receiving funding from any source. Some applicants hire consultants, but many successful applicants fill out their own applications. Board staff try to keep the application as simple as possible so that small jurisdictions without the capacity to hire consultants can submit a competitive application.

The Public Works Trust Fund has one application for all four of its funding programs: Planning, Pre-Construction, Construction, and Emergency.

## PROGRAM GOALS & EVALUATION MEASURES

### 2005 Goals and Objectives:

- 1. Keep program flexible enough to respond to changing environment of infrastructure systems and public need.
- 2. Minimize administrative costs while maximizing the use of the fund for critical infrastructure projects.
- 3. Maintain good stewardship of the PWAA.
- 4. Educate citizens of the needs for critical infrastructure projects.
- 5. Continue to work cooperatively with the other funders (DOH, CDBG, CERB, DOE, and United States Department of Agriculture Rural Development).

**How Information Technology is Used to Help Achieve Goals and Objectives:** Client information, billing information, project information, and project summaries are available to clients through the program's website. All forms used by the program are downloadable, and an on-line application is being developed. Stakeholders can use the website to review the loan list, review funded and unfunded projects, and review client information as well as accessing electronic forms and reports. The website also provides links to other programs.

E-mail is used for communications with clients, legislators, and other interested parties.

Loans are tracked with a database.

**Evaluation Process:** In 2002, the Public Works Board hired an outside consultant to conduct an internal audit around the Board's lending activities. Study recommendations were implemented by Board staff the same year.

In 2004 the Board conducted a year-long comprehensive review of its programs to help it set the future direction of the programs.

**Performance Measures:** PWTF clients are required to develop project-related performance measures for projects funded by the Board. These performance measures are incorporated into the client contract.

Internally, the Board has been setting biennial performance measures since 2001, and those for 2005-07 are under development.

### Recent Highlights:

1999: Adopted the Accelerated Loan Commitment Model resulting in approximately \$155 million additional funding capacity for local government infrastructure needs.

2000: Received the Governor's Team Incentive Award.



2003: Initiated a project with Archeology and Historic Preservation to create a predictive model for identifying culturally and historically sensitive sites. The first model in eastern Washington is complete. A model in western Washington will be developed during the 2005-07 biennium.

2004: Invited to present to the World Bank on the PWTF model.

2004: In Coordination with the IACC and TIB, developed Local Infrastructure Needs Assessment System (LINAS).

The Board has had an economic impact on the state of Washington through financing critical infrastructure projects throughout the state. Since 1999, The Board has generated \$6.4 billion in economic activity and sustained 62,836 construction related jobs.

**Programmatic Challenges:**

Diversion of funds.

Sustaining resources to address critical infrastructure needs.

Higher demand on Board resources due to declining federal resources, coupled with increasing regulations.

Ability to respond to changing political environment.

Transition in Board members. (New Chair, and four new members)

Transition in staff. (Executive Director-vacant, Operations and Finance Manager – vacant)

Competing statewide funding priorities

Not enough dollars to go beyond the highest priority in each program.

**Similar Programs in Other States:**

Pennsylvania (Most comprehensive structure)

<http://www.pennvest.state.pa.us/pennvest/site/default.asp>

Pennsylvania Infrastructure Investment Authority is one of the most comprehensive infrastructure programs in the country and has a great website.

Florida

<http://www.dep.state.fl.us/water/wff/index.htm>

The state has separate programs; SRF for Water Pollution Control and Drinking Water SRF. They also work with the bond financing to provide loans.

Nevada

<http://spwb.state.nv.us/>

Nevada has a Public Works Board, but most of the list of projects was related to state buildings, including colleges and universities. There are a few sewer upgrade projects for local governments, but overall, a very small part.

## PUBLIC WORKS TRUST FUND EMERGENCY LOAN PROGRAM

**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Public Works Board

### GENERAL INFORMATION

**Program Purpose:** The Public Works Trust Fund Emergency Loan Program provides immediate repair and restoration of public works services and facilities that have been damaged by natural disaster or determined to be a threat to public health or safety through unforeseen or unavoidable circumstances. Eligible systems are water, sanitary sewer, storm sewer, road, bridge, and solid waste/recycling.

**Mission Statement:** The Washington State Public Works Board assists Washington's local governments and private water systems meet their critical infrastructure needs.

**Year Established:** 1985

**Legislative Intent:** RCW 43.155.010

**Governing Board's Role:**

The Public Works Board was established to manage the Public Works Trust Fund.

It is the policy of the state of Washington to encourage self-reliance by local governments in meeting their public works needs and to assist in the financing of critical public works projects by making loans, financing guarantees, and technical assistance available to local governments for these projects.

**Founding Statute Number:**

RCW 43.155 and WAC 399

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$2,477,480	\$2,303,000	\$3,000,000	\$3,000,000	8.4 *

**Fund Account(s):**

058-1 - Public Works Assistance Account

**Funding Source(s):**

Initially established with proceeds from bonds.

Today, repayments of loans are the largest source of funds at 41%.

Also: four taxes:

100% of the Solid Waste Tax

60% of the Public Utility Tax on Sewerage Collection

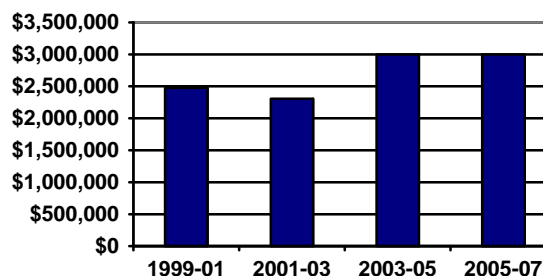
20% of the Public Utility Tax on Water Distribution

6.1% of the state portion of the Real Estate Excise Tax

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\* This represents the total FTEs for the Public Works Trust Fund, not just for the Construction Loan Program.

Biennial Budgets 1999-2007



## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☐ Tribes
- ☒ Special District

### Eligible Program Categories:

- ☒ Drinking Water
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- ☒ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☒ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☐ Grants
- ☒ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 5

**Total Awarded in 2004:** \$2,154,890

### Average or Range of Awards:

Loan average: \$205,000.

\$500,000 max per event, with \$500,000 max per jurisdiction per year.

**Specific Project Types Funded:** Emergency restoration of water, sanitary sewer, storm sewer, road, bridge, and solid waste/recycling systems.

**Funding for Each Project Type:** Unknown

**Level of Match Required:** Not applicable

**Interest Rate Charged:** 3%

**Repayment Statistics:** No defaults.

**Application Process:** The PWTF's four Client Services Representatives (CSR) offer training and technical assistance to prospective applicants, up to and including one-on-one help with application questions. Applications are accepted on an on-going basis to be reviewed monthly, and awards are made when funds are available.

**Evaluation Criteria:** There must be a local declaration of emergency.

Counties and Cities must have adopted a local one-quarter of one percent Real Estate Excise Tax (REET).

Counties, Cities, and Special Purpose Districts NOT planning under the GMA must have adopted a Capital Facilities Plan that meets Public Works Board standards for each eligible system they own.

Counties and Cities planning under GMA must be in conformance with adoption timelines for Comprehensive Plan Development Regulations.

**Criteria Changes:** With the passage of HB 1785 in the 2001 Legislative Session, the Legislature required several statewide funding programs, including the Public Works Trust Fund, to modify their funding process. The directive given to the Board reads:

"In providing loans for public works projects, the (Public Works) Board shall require recipients to incorporate the environmental benefits of the project into their applications, and the Board shall utilize the statement of environmental benefits in its prioritization and selection process. The Board shall also develop appropriate outcome focused performance measures to be used both for management and performance assessment of the loan programs."

The Board successfully argued that environmental benefit is only one of four reasons why local governments seek funding under RCW 43.155. The four areas that constitute "need" for financing from the Public Works Trust Fund are:

- 1) Public Health and Safety Issues
- 2) Environmental Issues
- 3) Economic Development Issues
- 4) System Performance Issues

**Process for Applicant:** The Public Works Trust Fund has one application for all four of its funding programs: Planning, Pre-Construction, Construction, and Emergency.

## **PROGRAM GOALS & EVALUATION MEASURES**

### **2005 Goals and Objectives:**

1. Keep program flexible enough to respond to changing environment of infrastructure systems and public need.
2. Minimize administrative costs while maximizing the use of the fund for critical infrastructure projects,.
3. Maintain good stewardship of the PWAA.
4. Educate citizens of the needs for critical infrastructure projects.
5. Continue to work cooperatively with the other funders (DOH, CDBG, CERB, DOE, and United States Department of Agriculture Rural Development).

**How Information Technology is Used to Help Achieve Goals and Objectives:** Client information, billing information, project information, and project summaries are available to clients through the program's website. All forms used by the program are downloadable, and an on-line application is being developed. Stakeholders can use the website to review the loan list, review funded and unfunded projects, and review client information as well as accessing electronic forms and reports. The website also provides links to other programs.

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**Evaluation Process:** In 2002 the Board hired an outside consultant to conduct an internal business practices audit.

In 2004 the Board conducted a year-long comprehensive review of its programs to help it set the future direction of the programs.

**Performance Measures:** PWTF clients are required to develop project-related performance measures for projects funded by the Board. These performance measures are incorporated into the client contract.

Internally, the Board has been setting biennial performance measures since 2001, and those for 2005-07 are under development.

**Recent Highlights:**

1999: Adopted the Accelerated Loan Commitment Model resulting in approximately \$155 million additional funding capacity for local government infrastructure needs.

2000: Received the Governor's Team Incentive Award.

2003: Initiated a project with Archeology and Historic Preservation to create a predictive model for identifying culturally and historically sensitive sites. The first model in eastern Washington is complete. A model in western Washington will be developed this biennium.

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2004: In Coordination with the IACC, and TIB, developed Local Infrastructure Needs Assessment System (LINAS).

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**Programmatic Challenges:**

Diversion of funds.

Sustaining resources to address critical infrastructure needs.

Higher demand on Board resources due to declining federal resources, coupled with increasing regulations.

Ability to respond to changing political environment.

Transition in Board members. (New Chair, and four new members)

Transition in staff. (Executive Director-vacant, Operations and Finance Manager – vacant)

Competing statewide funding priorities

Not enough dollars to go beyond the highest priority in each program.

**Similar Programs in Other States:**

Pennsylvania (<http://www.pennvest.state.pa.us/pennvest/site/default.asp>)

Pennsylvania Infrastructure Investment Authority is one of the most comprehensive infrastructure programs in the country and has a great website.

Florida (<http://www.dep.state.fl.us/water/wff/index.htm>)

The state has separate programs; SRF for Water Pollution Control and Drinking Water SRF. They also work with the bond financing to provide loans.

Nevada (<http://spwb.state.nv.us/>)

Nevada has a Public Works Board, but most of the list of projects was related to state buildings, including colleges and universities. There are a few sewer upgrade projects for local governments, but overall, a very small part.

## COMMUNITY ECONOMIC REVITALIZATION BOARD TRADITIONAL AND RURAL PROGRAMS

**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Community Economic Revitalization Board

### GENERAL INFORMATION

**Program Purpose:** CERB's **Traditional Program** was the first of the two main CERB programs. Since 1982 it has provided funding assistance to economically disadvantaged communities statewide for public facilities to foster business and job development and retention. It receives a maximum of 25% of CERB funds. The Traditional Program requires an eligible private sector business opportunity at the time of application. The applicant and business must provide evidence that a private development or expansion is ready to occur and that the private development is contingent upon the approval of CERB funds. Applicants must demonstrate the need for CERB assistance and that no other timely source of funds is available at reasonably similar rates to the current CERB rate.

The CERB **Rural Natural Resources/Rural Counties Program** is for communities in designated timber or commercial salmon harvesting impacted areas and rural counties. Timber communities were singled out beginning in 1991, salmon in 1995, and the two were combined into a separate program in 1999. By law it receives no less than 75% of CERB's funds. The program provides loans or, in unique circumstances, grants for new infrastructure projects to support potential industrial or tourism projects, provided a feasibility analysis supports the likelihood that the desired private sector development will occur. In the Rural Program, site-specific feasibility studies and pre-development planning are eligible for 100% matching grants (up to \$50,000). Unlike the Traditional Program, the Rural program may award money for a prospective private investment, without an explicit agreement with a private company, given feasibility threshold analysis has been completed. By budget proviso, grants are limited to 25% of the biennial appropriation for the Traditional and Rural Programs.

**Mission Statement:** CERB is a unique statewide economic development resource established by the Legislature in 1982 to encourage new business developments and business expansions in areas where growth is desired. CERB provides low interest loans (and in limited circumstances grants) to help finance the local public economic development infrastructure necessary to develop or retain stable business and industrial activity.

**Year Established:** 1982

**Governing Board's Role:** The 20-members of the Board are the decision makers and policy makers. The Board Chair signs the award contracts.

**Founding Statute Number:** RCW 43.160

**Legislative Intent:** RCW 43.160.010

The legislature finds that it is the public policy of the state of Washington to direct financial resources toward the fostering of economic development through the stimulation of investment and job opportunities and the retention of sustainable existing employment for the general welfare of the inhabitants of the state.

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$17,000,000	\$5,275,000	\$11,491,000	\$20,448,657	2.8

**Fund Account(s):**

887-1 - Public Facilities Construction Loan Revolving Account (PFCLRA)

**Funding Source(s):**

058-1 - Public Works Assistance Account (PWAA)

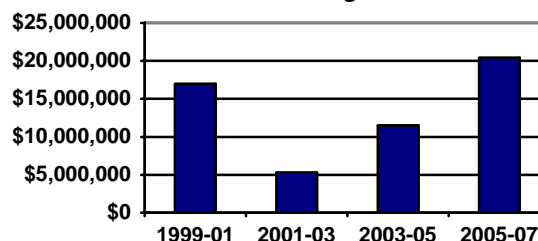
001-1 - General Fund (State)

CERB Loan repayments.

Interest earnings on the accounts 887-1 and account 058-1.

Also, in the 2005-07 biennium money was transferred to the Public Works Assistance Account from Timber/Rural Natural Resources loan repayments.

Biennial Budgets 1999-2007



**Recent Changes to Funding Pattern:** CERB was originally funded by state bond sales in 1982. Since then funding has come from repayment of CERB loans plus pieces of other sources, which has created variations in the funding stream. Funding has come from the PWAA, MVET, State General Fund, and retained investment earnings from the PFCLRA and PWAA. CERB has also been asked to allocate other non-state resources including QWEST settlement funds directed to CERB through court order and the Rural Economic Vitality (REV) Program, a partnership with WSDOT and CERB. WSDOT retains transportation funds and administers the REV Program.

## APPLICATIONS &amp; AWARDS

**Eligible Agencies:**

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☒ Tribes
- ☒ Special District

**Eligible Program Categories:**

- ☒ Drinking Water
- ☒ Wastewater
- ☒ Stormwater
- ☐ Solid/Hazardous Waste
- ☐ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☒ Transportation
- ☒ Utilities
- ☒ Business/Econ Dev Facilities

**Types of Awards:**

- ☒ Grants
- ☒ Loans
- ☐ Technical Assist.



**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 13

**Total Awarded in 2004:** \$6,318,137\*

**Average or Range of Awards:**

\$1,000,000 maximum for Traditionals or Rural construction projects; \$50,000 maximum for site-specific planning in Rural Program only, \$250,000 maximum construction projects supporting tourism in Rural Program only

\* This number is for fiscal year 2004, which differs from the number listed for CERB in the Attachment E, which is presented by calendar year.

**Specific Project Types Funded:** While this program does fund publicly owned infrastructure, there must be a link to private development. Eligible projects include planning, design, acquisition, construction, reconstruction, replacement, rehabilitation or improvements to bridges, roads, domestic and industrial water, sanitary sewer, storm sewer, railroad (spurs), electricity, telecommunications, transportation, natural gas, buildings or structures, and port facilities.

The eligible private business types are: manufacturing, production, food processing, assembly, warehousing, advanced technology, research and development, industrial distribution, processing recyclable materials, or facilities that support recycling, including processes not currently provided in the state, drinking facilities, mixed waste paper, plastics, yard waste, and problem waste processing. Also eligible are manufacturing facilities that rely significantly on recyclable materials, including, but not limited to: waste tires and mixed waste paper, as well as businesses that substantially support the trading of goods and services outside of the state's borders and in rural counties. CERB can support, at a much lower rate (up to \$250,000), a major tourism facility development project that delivers year-round employment.

**Funding for Each Project Type:** 40% of awards are to ports, 40% to combined cities and counties, the rest are to public development authorities.

**Level of Match Required:** 25%

**Interest Rate Charged:** Maximum 20-year repayment, including a deferral period. Deferral of principal and interest for up to 5 years is allowable. Interest rates match the most current rate of Washington State bonds but do not exceed 6% for the Rural Program or 10% for the Traditional Program.

**Repayment Statistics:** No defaults in 20 years.

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**Application Process:** CERB meetings are scheduled six times a year to consider finance assistance requests. The application process, which includes a site visit by CERB staff, must be completed at least 45 days prior to the meeting at which the request is to be considered.

**Evaluation Criteria:** As stated previously, this program does fund publicly owned infrastructure, but there must be a link to private development. CERB tracks both the public and private projects involved. In order to get assistance from CERB an entity must prove there is a financial gap for the desired project. They must show that they are using all available resources, and must prove that without the assistance the project would not occur. The private company must also show why they would not locate, expand, or stay in that location without the infrastructure, and the city, county or port must show that the infrastructure would not be built without the CERB financing.

CERB looks at the eligibility of the public facility and private business to determine if the financial need is there. It will dig into financial statements, revenues, bond capacity, etc. Quantitative and qualitative economic development expectations are considered, such as the number of expected jobs, wage rates, and how much the private sector



will invest. CERB also considers the difference a project would make in the context of the applicant's economic condition, and takes into account the planning, feasibility, and readiness to proceed.

In the Rural Program, CERB can make an investment without an explicit commitment by a private entity. If it is reasonable to expect that a certain kind of development will come to a site, "prospective development" financing can be provided. There must be a feasibility assessment indicating private development will occur if the infrastructure is put in place.

**Criteria Changes:** The newest additions to eligible projects are research and development, and high technology. This change was made in 1999.

**Process for Applicant:** The process varies. Some jurisdictions can do it on their own, assisted by engineers that have been hired for the project. Smaller communities might hire consultants. Business and Project Development staff from CERB to work with public entities who are trying to build these types of projects. The staff work with the potential CERB applicant and help them with the process. They may be involved in presenting the application to the board with the public entity and the private company.

## PROGRAM GOALS & EVALUATION MEASURES

### 2005 Goals and Objectives:

- 1) Encourage business and industry expansion and retention to provide stable employment.
- 2) Expand employment opportunities in economically distressed regions.
- 3) Strengthen the economies of areas with high unemployment by encouraging private capital investment and development.
- 4) Seek opportunities to leverage CERB funds with other public monies.
- 5) Encourage responsible local government investment in public facilities projects by requiring a local match.

**How Information Technology is Used to Help Achieve Goals and Objectives:** CERB has an Access database that is used to track each project. Data is entered on the private and public projects.

**Evaluation Process:** When an application is submitted to CERB the applicant estimates what the outcome of the project will be from an economic standpoint (wages, jobs, private investment, tax revenue, affect on assessed valuations, etc.). CERB tracks the project for 5 years following completion of the public project to obtain information on actual job creation, business investment, tax revenue generation, and changes in assessed values. Staff ask questions such as: who do you have on payroll? what are their wages? what is the average county wage rate? how many employees are at or above average county wage rate? CERB is also required by the Legislature to report every two years on its projects.

**Performance Measures:** Performance measures analyzed are:

- 1) Estimated number of jobs created/retained as a result of financial assistance.
- 2) Estimated state and local taxes as a result of financial assistance.
- 3) Estimated other capital leveraged (public and private) as a result of financial assistance.

**Recent Highlights:** The board is extremely engaged and there have never been any defaults on loans in 23 years.

From 1982 to 2004, \$97M was invested by CERB, with an estimated creation and retention of 22,000 jobs, \$2.3B leveraged in actual private capital investment in private business facilities, machinery and equipment, and nearly \$60M leveraged in local tax revenue. Based on factors from the associated general contractors, for every

\$1M CERB invests in infrastructure there is an additional 30.8 construction and other related industries jobs created. Since 1982 CERB has leveraged \$23 in private money to each \$1 CERB invested.

Every 2 years there is a board project tour where they focus on an area and visit all the projects there. People stand up and speak about what a difference these projects have made in their area. As an example, the InSitu Plant in Klickitat County builds unmanned airplanes. They now work with Boeing and have shipped planes to Iraq to find roadside bombs. This plant gives graduates from that area a place to have a good job and add to their community.

**Programmatic Challenges:** The biggest challenge is finding a dedicated funding source. If CERB is to effectively address its mission, it has to continue to offer some grant money along with loans. However, by awarding grants, the fund balance will be reduced, meaning CERB needs a revenue stream other than loan repayments to sustain the fund. The program has some dedicated funding sources now, but they are not very big, and historically they tend to disappear.

**Similar Programs in Other States:** unknown

## CERB JOB DEVELOPMENT FUND

**Department/Agency:** Department of Community, Trade and Economic Development

**Division/Office:** Community Economic Revitalization Board

### GENERAL INFORMATION

**Program Purpose:** The CERB Job Development Fund was created to provide grants for publicly owned economic development infrastructure projects that will stimulate job creation or assist in job retention. An initial set of 14 Legislature-designated projects will be funded by a direct appropriation from the Public Works Assistance Account in the 2005-7 biennium. The program will be funded in the 2007-9 biennium by a \$50 million transfer from the Public Works Assistance Account to the Job Development Fund Account. Beginning with the 2007-9 biennium, grants will be managed by CERB staff via a competitive process now being developed. The CERB Job Development Fund will sunset on June 30, 2011.

**Mission Statement:** The program has a purpose statement that reads: "The purpose of the program is to assist with public infrastructure projects that directly stimulate community and economic development by supporting the creation of new jobs or the retention of existing jobs. CERB Job Development Fund Program grants may only be used to fund publicly-owned economic development infrastructure that is required to support an immediate or prospective business development project."

**Year Established:** 2005

**Governing Board's Role:** Because funding for the program comes from the Public Works Assistance Account, the Public Works Board staff will be engaged in application review, ranking and rating. The CERB Board will develop a final ranked project list of up to \$50 million and has the option of submitting an alternate list of up to \$10 million in projects. Under an interagency agreement now being finalized among the CERB Board, the Public Works Board and CTED, these lists will be recommended – without modification – by the Public Works Board to CTED for inclusion in the Department's budget request for the next biennium. The project lists must then be approved by both CTED and the Legislature. The Legislature may delete projects from the list but may not change the prioritized order. It may add projects from the alternate list in order of priority.

**Founding Statute Number:**

Amending RCW 43.160 and 43.155.050/add new sections to 43.160 and 43.155

**Legislative Intent:** Amending RCW 43.155.050/add new sections to 43.160

The job development fund program is created to provide grants for public infrastructure projects that will stimulate job creation or assist in job retention.

**BUDGET INFORMATION**

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$0	\$0	\$0	\$50M Legislature-determined projects	2

**Fund Account(s):**

10H-1 - Job Development Account

**Funding Source(s):**

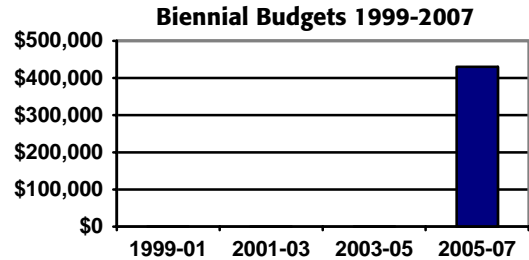
2005-7: Public Works Assistance Account Direct Appropriation

2007-9: Public Works Assistance Account Transfer

**Recent Changes to Funding Pattern:**

For the 2007-09 biennium, a transfer from the PWAA to the JDF Account is called for in the bill that created the Job Development Fund and Job Development Fund Account.

\* In the 2005-07 budget \$430,000 was made available for development of the program. The \$50M for 2005-07 biennium is for legislature-determined projects, however, in 2007-09 \$50M will be available for competitively awarded projects.

**APPLICATIONS & AWARDS****Eligible Agencies:**

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☒ Tribes
- ☒ Special District

**Eligible Program Categories:**

- ☒ Drinking Water
- ☒ Wastewater
- ☒ Stormwater
- ☐ Solid/Hazardous Waste
- ☐ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☒ Transportation
- ☒ Utilities
- ☒ Business/Econ Dev Facilities

**Types of Awards:**

- ☒ Grants
- ☐ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** Yes**Average or Range of Awards:****Number of Awards in 2004:** 0

Not applicable since this is a new program

**Total Awarded in 2004:** \$0

**Specific Project Types Funded:** Projects eligible for the CERB Job Development Fund will include planning, design, acquisition, construction, reconstruction, replacement, rehabilitation, or improvements to any of the eligible program categories listed above.

**Funding for Each Project Type:** Competitive awards will first be made in the 2007-09 biennium.

**Level of Match Required:** 66%

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

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**Application Process:** The JDF Program has a two-step application process giving each applicant the opportunity to seek and receive feedback and advice on a pre-application before submitting a final application. The pre-application consists of a pre-application form. This is followed by the final detailed application.

Each application will go through a threshold review, project evaluation and scoring, and a CERB review.

Business & Project Development (BPD) personnel function as field staff for the CERB program, being the primary agents to market and package its products, providing hands-on assistance in completing the application process to both public (local government) and private (business enterprise) parties. BPD staff assist in all CERB loans and grants, helping to present and advocate for projects to the CERB Board, introducing representatives of the public sector applicant (frequently an Economic Development Council) and the private sector enterprise in question.

**Evaluation Criteria:** The following criteria are applied for evaluation and ranking of applications:

- a) The relative benefits provided to the community by the jobs the project would create
- b) The present level of economic activity in the community and the existing local financial capacity to increase economic activity in the community
- c) The rate of return of the state's investment, that includes the expected increase in state and local tax revenues associated with the project
- d) The lack of another timely source of funding available to finance the project which would likely prevent the proposed community or economic development, absent the financing available under this act
- e) The ability of the project to improve the viability of existing business entities in the project area
- f) Whether or not the project is a partnership of multiple jurisdictions
- g) Demonstration that the requested assistance will directly stimulate community and economic development by facilitating the creation of new jobs or the retention of existing jobs
- h) The availability of existing assets that applicants may apply to projects

**Criteria Changes:** Not applicable since this is a newly-formed program.

**Process for Applicant:** The application process is lengthy and detailed, requiring approval of the final project list or lists by the CERB Board, the Public Works Board (an interagency agreement now being draft will ensure this step occurs quickly and without modification), CTED and the Legislature. The entire process from application to award will be approximately 18 months. Because of this, it is expected that there will be more applications for projects that have prospective private development rather than those that have businesses agreements in place.

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** To develop the program, complete project solicitation and selection process, and produce the lists of projects for CERB, PWB, CTED and Legislature approval.

**How Information Technology is Used to Help Achieve Goals and Objectives:** The JDF will use a database tracking system modeled after the CERB system. They will be identical but distinct databases.

**Evaluation Process:** The Job Development Fund will be included in CERB's legislative report that is submitted once per biennium.

The Joint Legislative Audit and Review Committee also has funding through House Bill 1903 to do a report on the Job Development Fund.

**Performance Measures:** The performance measures will be very similar to those used for CERB. They will include the number of jobs created and retained, qualitative comparative value of jobs (how the jobs compare to average annual wage rates in the county), leveraged public sector funding, private projects associated with the funded public project, and estimated state and local tax revenue.

**Recent Highlights:** 2005 is the first year of the program and is funded only for administrative establishment of the program. Highlights in 2005 have been getting staff hired and sticking to the developed work plan. Guidelines have been drafted and are on schedule for board approval in November. The program is also on track to have a project solicitation out on December 1st.

**Programmatic Challenges:** In developing the program, the greatest challenge CERB members and staff have faced is making the "basic infrastructure" funding approval process in the JDF legislation work for the business customers whose own expansion, siting or retention plans and decision drive the project timetables..

**Similar Programs in Other States:** There are no programs in other states that the staff know of that would be a model for this program.

## DRINKING WATER STATE REVOLVING FUND

**Department/Agency:** Dept. of Community, Trade and Economic Development / Dept. of Health  
**Division/Office:** Public Works Board / Wastewater Management Program

### GENERAL INFORMATION

**Program Purpose:** The Drinking Water State Revolving Fund provides loans to water systems for capital improvements that increase public health protection and compliance with drinking water regulations.

**Mission Statement:** None

**Year Established:** 1996

**Governing Board's Role:** Approves the Department of Health's prioritized list prior to submittal of the Intended Use Plan to EPA.

**Founding Statute Number:**

RCW 43.155.050 and RCW 70.119A.170 and WAC 246.296

**Legislative Intent:** RCW 70.119A.170

The purpose of the account is to allow the state to use any federal funds that become available to states from Congress to fund a state revolving loan fund program as part of the reauthorization of the federal safe drinking water act. Expenditures from the account may only be made by the secretary, the Public Works Board, or the Department of Community, Trade, and Economic Development, after appropriation. Moneys in the account may only be used, consistent with federal law, to assist water systems to provide safe drinking water through a program administered through the Department of Health, the Public Works Board, and the Department of Community, Trade, and Economic development and for other activities authorized under federal law.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$38,200,000	\$37,900,000	\$51,200,000	\$20,000,000	5.4

**Fund Account(s):**

058-1 - Public Works Assistance Account

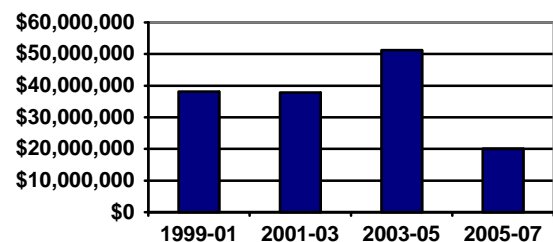
**Funding Source(s):**

Federal capitalization grant award + 20% state match

Repayments and interest earnings

**Recent Changes to Funding Pattern:** None

**Biennial Budgets 1999-2007**





## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☒ Non Profit
- ☒ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☒ Tribes
- ☒ Special District

### Eligible Program Categories:

- ☒ Drinking Water
- ☐ Wastewater
- ☐ Stormwater
- ☐ Solid/Hazardous Waste
- ☐ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☐ Grants
- ☒ Loans
- ☒ Technical Assist.

**Is Legislative Approval Required?** No

**Average or Range of Awards:**

**Number of Awards in 2004:** 37

\$15,000 to \$4 million (maximum is \$4 million)

**Total Awarded in 2004:** \$39,713,835

**Specific Project Types Funded:** DWSRF loan funds may be used for projects that:

- Address existing water system problems that may cause a drinking water system to exceed health standards
- Prevent future violations of the State Drinking Water Act (SDWA) or state rules
- Replace aging infrastructure to maintain compliance or to further public health protection goals of the SDWA
- Are categorized as treatment, transmission, distribution, source, or storage projects
- Finance purchase costs incurred by publicly owned systems associated with restructuring of systems
- Are main extensions to connect to safe and reliable sources of drinking water
- Acquire real property from a willing seller if it is an integral part of a capital construction project being funded
- Planning and design costs directly related to an eligible project
- Include installation of source meters
- Include installation of service meters as part of a capital construction project
- Include reservoirs (clear wells) that are part of the treatment process and are co-located with the treatment facility
- Include distribution reservoirs
- Include security measures

DWSRF funds may also retroactively finance eligible publicly owned (municipal) projects that were constructed after July 1, 1993. Eligible projects may include those that address surface water, primary chemical contaminants, and capital construction projects to address a compliance order. Projects constructed after January 1, 2004 receive a higher value. Systems must demonstrate they have met all federal and state requirements, retroactively.



**Funding for Each Project Type:** Unknown

**Level of Match Required:** None

**Interest Rate Charged:**

- Not economically distressed: 1.5% rate with loan fee of 1%
- Economically distressed: 1% rate with loan fee of 1%
- If 51% of the water system households are at or below 80% of the county's median income: 0.5% interest rate and loan fee of 1%
- If 51% of the water system households are at or below 50% of the county's median income: 0% interest rate and loan fee of 1%

**Repayment Statistics:** No defaults or deferments have occurred

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**Application Process:** Step 1: DOH reviews applications for system and project eligibility, and to ensure system has technical, financial, managerial capacity to take on a loan.

Step 2: DOH scores the project and drafts the prioritized project list.

Step 3: Public Works Board staff conducts financial and environmental review.

Step 4: Public Works Board approves final loan list.

Step 5: Public Works Board staff make loan offers.

**Evaluation Criteria:** Eligible projects are scored according to the types of public health risk addressed by the proposed projects. Risk categories are as follows, listed in priority order:

Risk Category 1: The proposed project will eliminate Microbial Risk

Risk Category 2: The proposed project will eliminate Primary Inorganic Chemical Risk

Risk Category 3: The proposed project will eliminate Other Primary Chemical Risk

Risk Category 4: The proposed project will eliminate Secondary Chemical / Sea Water Intrusion Risk

Risk Category 5: The proposed project will provide Infrastructure Replacement or Other Distribution Improvements

Bonus points may be awarded after consideration of the following:

a) Compliance, b) Restructuring benefit, c) Regional benefit, d) Multiple benefit, e) Affordability, f) Service meters.

For cities, counties, and towns required to plan under RCW 36.70A.040 (relative to the Growth Management Act) that have not adopted a comprehensive plan and development regulations, the project score will be reduced by one point. Loan offers are made starting with the highest scoring eligible projects.

**Criteria Changes:** None

**Process for Applicant:** Most applicants hire a consultant to complete the application. Some apply to both DWSRF and Public Works Trust Fund.

## PROGRAM GOALS & EVALUATION MEASURES

### **2005 Goals and Objectives:** Specific goals include:

- Direct financial assistance to community and federally recognized non-profit, non-community water systems to facilitate construction of improvements aimed at increasing system capacity, public health protection, and compliance with applicable drinking water regulations.
- Maintain the economic viability of the DWSRF Program to meet current and projected Department of Health, Division of Drinking Water program and water system needs in the State of Washington.
- Provide technical assistance to water systems to facilitate effective planning, design, and construction of improvements aimed at reducing the risk of contamination and increasing compliance with applicable drinking water regulations.
- Provide assistance to communities in strengthening their local capacity.
- Provide loan subsidies to systems in economically distressed communities to help them develop safe and reliable drinking water and increase public health protection.
- Direct at least 15 percent of the project loan funds to systems with less than 10,000 population.
- Ensure adequate resources to provide long-term administration of the DWSRF program.
- Allocate all available loan funds each year and ensure loan funds are awarded to projects that resolve the highest public health risk.

**How Information Technology is Used to Help Achieve Goals and Objectives:** Data management needs include tracking of performance measures, project review and evaluation, loan conditions, reports, and capitalization grant accounting.

**Evaluation Process:** After processing each annual cycle of loan applications, DOH and the Public Works Board staff evaluate program effectiveness based on program goals, evaluation measures, comments received from customers and issues identified by agency staff, management, and EPA. Based on this evaluation, program staff develop a list of proposed programmatic changes for the next loan cycle. DOH and the Public Works Board decide what changes will be implemented, subject to EPA approval.

### **Performance Measures:** Performance goals/measures include:

- Direct at least 15 percent of the project loan funds to systems with less than 10,000 population.
- Allocate all available loan funds each year and ensure loan funds are awarded to projects that resolve the highest public health risk.

**Recent Highlights:** 1998: Interest rate reduced to 4.35%. The very first DWSRF loan was made to the City of Walla Walla for an ozone treatment plant.

1999: Interest rate reduced to 3.5%. Eliminated local match requirement. Implemented a 2% loan fee. The first payments from previous loans were received.

2000: Interest rate reduced to 2.5%.

2001: Established trend of funding 40% privates/60% publicly owned; 25% compliance-related projects. Adopted regulations.

2002: Interest rate reduced to 1.5%. Record year for number of applications received and assistance requested.

2003: Loan fee reduced to 1%. Emphasized arsenic removal projects.

2004: Funded two projects that will convert Group B systems or individual water supplies to Group A systems. This was the first time the DWSRF received a project of this nature. Provided almost \$40 million for drinking water infrastructure improvements.

2005: First time in program's history that funding is limited to very high priority projects in risk categories 1-3. Over \$200M obligated to project loans since program's inception in 1997.

Twenty-five percent of loans solve public health problems that would have resulted in serious compliance actions if they had not been addressed with capital improvements.

A full 70 percent of the loans have gone to systems serving fewer than 3,300 people.

Over \$15 million in repayments has been received to fund additional projects.

**Programmatic Challenges:** Ensuring adequate funding for program administration, both short-term, and when the federal set-asides end.

**Similar Programs in Other States:** Washington's program has been recognized as the best state DWSRF program within EPA Region 10 and is generally recognized as being one of the best programs in the nation.

## WATER SYSTEM ACQUISITION AND REHABILITATION PROGRAM

**Department/Agency:** Dept. of Community, Trade and Economic Development / Dept. of Health  
**Division/Office:** Public Works Board / Wastewater Management Program

### GENERAL INFORMATION

**Program Purpose:** The Water System Acquisition and Rehabilitation Program (WSARP) is intended to help local governments ensure drinking water systems throughout the state can provide safe, reliable drinking water.

Grants ranging up to 25% of the total appropriation may be used to pay for a portion of planning, design, and other pre-construction activities; system acquisition; and capital construction costs. Applicants with sound drinking water utility management that own at least one municipal Group A public water system may be eligible for funding.

**Mission Statement:** None

**Year Established:** 2003

**Governing Board's Role:** The Public Works Board administers the program jointly with CTED and the Department of Health. The Board's staff conducts the financial review, evaluates project readiness to proceed, conducts State Environmental Review Process (SERP), and oversees contract administration.

**Founding Statute Number:** SSB 5401 section 130 and RCW 70.119A.170

**Legislative Intent:** SSB 5401, 2003-04 Biennium  
The state building construction account appropriation is provided solely to provide assistance to counties, cities, and special purpose districts to identify, acquire, and rehabilitate public water systems that have water quality problems or have been allowed to deteriorate to a point where public health is an issue.

### BUDGET INFORMATION

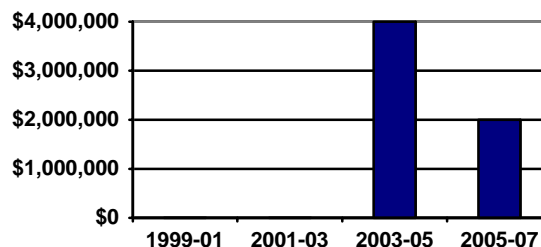
Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$0	\$0	\$4,000,000	\$2,000,000	

**Fund Account(s):**

057-1 - State Building Construction Account

**Funding Source(s):** Transfers from the State General Fund.

**Recent Changes to Funding Pattern:** This is a new program established in 2004.



## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☐ Tribes
- ☒ Special District

### Eligible Program Categories:

- ☒ Drinking Water
- ☐ Wastewater
- ☐ Stormwater
- ☐ Solid/Hazardous Waste
- ☐ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☒ Grants
- ☐ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 14

**Total Awarded in 2004:** \$4,000,000

**Average or Range of Awards:**

Maximum of 25% of total appropriation. Average of \$304,161.

**Specific Project Types Funded:** Funding is a competitive process, with emphasis on projects with high health risk. Eligibility is confined to applicants that demonstrate a track record of sound drinking water utility management:

1. Own at least one Group A public water system
2. Have a minimum of five years as a Group A water system
3. Have an approved water system plan for the applicant system or be an approved satellite management agency
4. Have had no state or federal civil penalties in the past five years
5. Have received no unilateral enforcement orders from EPA or DOH in the past five years
6. Have not had a system's operators license suspended or revoked in the past five years
7. Are current with DOH fee payment schedule

Other criteria to be considered, on a case-by-case basis, include operating permit history, prior contract performance, and history of audit findings.

Examples of eligible projects include:

- Acquiring real property from a willing seller if it is an integral part of the capital construction project being funded
- Addressing existing water system problems that may cause a drinking water system to exceed health standards
- Preventing future violations of the State Drinking Water Act (SDWA) or state rules
- Replacing aging infrastructure to maintain compliance or to further public health protection goals of the SDWA
- Treatment, transmission, distribution, source, or storage projects
- Pre-acquisition feasibility study costs directly related to an eligible project
- Planning and design costs directly related to an eligible project

**Funding for Each Project Type:**

**Level of Match Required:** 75% of acquisition costs, 25% of connection costs, 50% of pre-acquisition, pre-construction, and construction costs.

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

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**Application Process:** DOH reviews the applications for eligibility and system capacity. A draft prioritized project list is developed and the applications are forwarded to the Public Works Board's staff.

The Board's staff evaluates the applications for readiness to proceed with the project, and reviews prior contract performance. A list of the applications is forwarded to the Board for approval.

Once the Board approves the list, agreements are negotiated and executed.

**Evaluation Criteria:** Eligible projects are scored according to the types of public health risk addressed by the proposed projects. Risk categories are as follows, listed in priority order:

Risk Category 1: Microbial

Risk Category 2: Primary inorganic chemical

Risk Category 3: Other primary chemical

Risk Category 4: Secondary chemical/sea water intrusion

Risk Category 5: Infrastructure replacement, or other distribution improvements

**Criteria Changes:** Not applicable

**Process for Applicant:** There is only one application for the program.

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** None

**How Information Technology is Used to Help Achieve Goals and Objectives:**

- Website access for clients (client, billing, and project information; project summaries; downloadable forms)
- Website access for stakeholders (loan list, funded and unfunded projects, client information, electronic forms, reports)
- A website for news items, links to other programs and an on-line application is in the development stage
- E-mail addresses for clients, legislators, and interested parties
- Loan tracking database application
- Predefined queries for staff to respond to clients and other interested parties

**Evaluation Process:** The Board hired an outside consultant to conduct an internal audit on business practices.

In 2004, the Board undertook a year-long comprehensive review of its programs to help the Board set the future direction of the programs.

**Performance Measures:** The Board has been setting performance measures since 2001. The Board will be developing their 2005-07 biennial performance measures at a policy retreat in October 2005. PWTF clients are

required to develop project-related performance measures for projects funded by the Board. These performance measures are incorporated into the client contract.

### **Recent Highlights:**

2000: Received the Governor's Team Incentive Award.

2002: Developed the accelerated loan commitment model resulting in approximately \$155 million additional funding capacity for local government infrastructure needs.

2003: Initiated a project with Archeology and Historic Preservation to create a predictive model for identifying culturally and historically sensitive sites. The first model in eastern Washington is complete. A model in western Washington will be developed this biennium.

2004: Invited to present to the World Bank on the PWTF model.

2004: In Coordination with the IACC, and TIB, developed Local Infrastructure Needs Assessment System (LINAS).

The Board has had an economic impact on the state of Washington through financing critical infrastructure projects throughout the state. Since 1999, The Board has generated \$6.4 billion in economic activity and sustained 62,836 construction related jobs.

### **Programmatic Challenges:**

Diversion of funds.

Sustaining resources to address critical infrastructure needs.

Higher demand on Board resources due to declining federal resources, coupled with increasing regulations.

Ability to respond to changing political environment.

Transition in Board members. (New Chair, and four new members)

Transition in staff. (Executive Director-vacant, Operations and Finance Manager – vacant)

Competing statewide funding priorities

Not enough dollars to go beyond the highest priority in each program.

**Similar Programs in Other States:** Unknown

## COMMUNITY DEVELOPMENT BLOCK GRANT COMMUNITY INVESTMENT FUND GRANT

**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Local Government Division

### GENERAL INFORMATION

**Program Purpose:** Community Investment Fund (CIF) Grants provide eligible Washington State communities the opportunity to access funds for their high-priority community and economic development projects. Unlike CDBG General Purpose funds, Community Investment funds may be applied for at any time throughout the year.

**Mission Statement:** The mission of the Community Development Block Grant Program is to improve the economic, social, and physical environment of eligible cities and counties in ways that enhance the quality of life for low- and moderate-income residents and, as a result, benefit the entire community.

**Year Established:** 1982

**Governing Board's Role:** None

**Founding Statute Number:** Not applicable

**Legislative Intent:** 42 U.S.C. Sec. 5301

The primary objective of this chapter and of the community development program of each grantee under this chapter is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$5,179,657	\$10,065,406	\$13,304,200	\$4,107,728	1.25

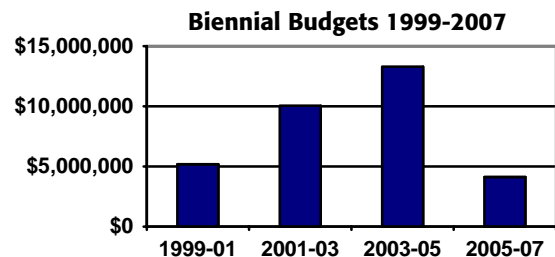
**Fund Account(s):**

001-2 - State General Fund - Federal

001-1 - State General Fund - State

**Funding Source(s):** Funding is primarily Federal. The State General Fund provides contributes \$160,000 per year toward the administrative costs of all nine CDBG programs.

**Recent Changes to Funding Pattern:** Annual funding has decreased since 2003. The 2005-7 decrease is based on assumptions about a shortfall in administrative funding that may result in all CDBG funds going to General Purpose Grants in 2007. The President's most recent budget proposal eliminated funding. Elimination is unlikely, but cuts are expected.





## APPLICATIONS &amp; AWARDS

**Eligible Agencies:**

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☐ Tribes
- ☐ Special District

**Eligible Program Categories:**

- ☒ Drinking Water
- ☒ Wastewater
- ☒ Stormwater
- ☒ Solid/Hazardous Waste
- ☒ Flood/Irrigation Management
- ☐ Emergency Management
- ☒ Housing
- ☒ Health Facilities
- ☒ Community Facilities
- ☒ Public Safety
- ☒ Outdoor Recreation
- ☒ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

**Types of Awards:**

- ☒ Grants
- ☐ Loans
- ☒ Technical Assist.

**Is Legislative Approval Required?** No**Average or Range of Awards:****Number of Awards in 2004:** 12

Typical range is \$100,000 - \$1,000,000

**Total Awarded in 2004:** \$5,137,187

**Specific Project Types Funded:** Eligible projects fall into one of five categories: Public Facilities, Community Facilities, Housing, Economic Development, and Comprehensive (projects with elements that fall into 2+ other categories). Housing grants cannot fund new construction, but may fund land purchases or supporting infrastructure. Examples of eligible projects: wastewater/storm water/drinking water projects, community facilities, housing, streets and sidewalks, senior and youth centers, Headstart. Applicants may submit one request per CDBG per annual funding cycle.

All projects must:

- Demonstrate a clear need for grant dollars to fill a funding gap
- Be ready to proceed
- Demonstrate at least 51 percent low- and moderate-income benefit, or elimination or prevention of slums or blight
- Rank in top three on the county's list of community and economic development priorities

There are two types of eligible applicants: 1) cities and towns with populations less than 50,000; and 2) counties with unincorporated populations of less than 200,000. Recipients may choose to serve Indian tribes within their jurisdictions or involve non-profits and special purpose organizations (e.g. public housing authorities, port districts, community action agencies, economic development councils) – but tribes and those organizations may not apply themselves.

**Funding for Each Project Type:** Public safety and water projects are the most common.**Level of Match Required:** Not applicable**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Application Process:**

- A community receives a pre-application after being ranked on a county's WA-CERT list of possible projects as one of the top three priorities.
- The pre-application is reviewed for completeness and eligibility.
- Preliminary scoping of the project takes place to determine if the project is a local priority, and whether it is ready to proceed or requires further technical assistance. Such assistance may include identification of other possible funding sources, assistance with work plan development, and assistance with project development before funding can be obtained.
- When the community considers the project ready to proceed, an internal CTED Resource Team reviews the pre-application. If the project is determined to be viable, ready to proceed and appropriate for CDBG funding, the community is invited to submit a full application. The application summarizes the need for the project; the community's capacity to deliver and readiness to begin; and the expected results. It also must include evidence of citizen participation and other federal requirements.
- Qualifying projects are funded on a first-come, first-served basis until funds are exhausted.

**Evaluation Criteria:** Project applications are evaluated according to four criteria: Need, Capacity (staff and financial), Readiness, and Result.

**Criteria Changes:** None

**Process for Applicant:** The application has been revised to be more user-friendly, but it remains lengthy. Applicants are subject to numerous federal requirements, including for a public hearing and a disclosure report. Program staff offer application workshops and extensive technical assistance. Some applicants use consultants, others do not.

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** None

**How Information Technology is Used to Help Achieve Goals and Objectives:** Information Technology is used to track grant administration tasks (including payments and compliance checks) and project scheduling. Computers are used to monitor the status of all projects and keep project managers informed.

**Evaluation Process:** Program staff monitor each step of every project, following up on each contractually specified milestone. The State Auditor prepares annual reports, which are a requirement for the federal funding under the federal Single Audit Act.

**Performance Measures:** None

**Recent Highlights:** Recent highlights have been completed projects: a new Head Start child care facility, a contribution to a new wastewater treatment plant, and a new water system.

**Programmatic Challenges:** A much-needed water project had to be terminated recently because local funding fell through. Program staff are providing technical assistance toward its return.

**Similar Programs in Other States:** Unknown

## COMMUNITY DEVELOPMENT BLOCK GRANT GENERAL PURPOSE GRANT

**Department/Agency:** Department of Community, Trade and Economic Development

**Division/Office:** Local Government Division

### GENERAL INFORMATION

**Program Purpose:** CDBG General Purpose Grants provide financial assistance for infrastructure projects to benefit low- and moderate-income persons.

**Mission Statement:** The mission of the Community Development Block Grant Program is to improve the economic, social, and physical environment of eligible cities and counties in ways that enhance the quality of life for low- and moderate-income residents and, as a result, benefit the entire community.

**Year Established:** 1982

**Governing Board's Role:** None

**Founding Statute Number:** Not applicable

**Legislative Intent:** 42 U.S.C. Sec. 5301

The primary objective of this chapter and of the community development program of each grantee under this chapter is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$ 16,513,438	\$ 15,961,514	\$ 17,922,092	\$21,668,448	1.25

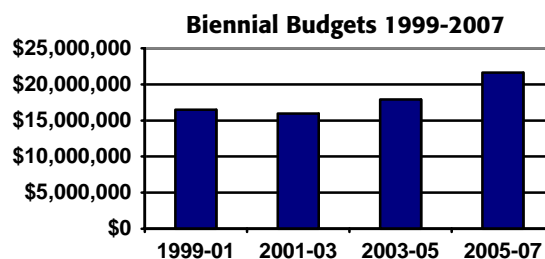
**Fund Account(s):**

001-2 - State General Fund - Federal

001-1 - State General Fund - State

**Funding Source(s):** Funding is primarily Federal. The State General Fund provides contributes \$160,000 per year toward the administrative costs of all nine CDBG programs.

**Recent Changes to Funding Pattern:** Funds for Washington have steadily increased for the last 8-10 years. The 2005-7 increase is based on assumptions about a shortfall in administrative funding that may result in all CDBG funds going to General Purpose Grants in 2007. The President's most recent budget proposal eliminated funding for CDBG. Elimination is unlikely, but cuts are expected.



## APPLICATIONS &amp; AWARDS

**Eligible Agencies:**

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☐ Tribes
- ☐ Special District

**Eligible Program Categories:**

- ☒ Drinking Water
- ☒ Wastewater
- ☒ Stormwater
- ☒ Solid/Hazardous Waste
- ☒ Flood/Irrigation Management
- ☐ Emergency Management
- ☒ Housing
- ☒ Health Facilities
- ☒ Community Facilities
- ☒ Public Safety
- ☐ Outdoor Recreation
- ☒ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

**Types of Awards:**

- ☒ Grants
- ☐ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No**Average or Range of Awards:****Number of Awards in 2004:** 19

Typical range is \$45,000-\$1,000,000

**Total Awarded in 2004:** \$9,992,919

**Specific Project Types Funded:** There are two types of eligible applicants: 1) cities and towns with populations less than 50,000; and 2) counties with unincorporated populations of less than 200,000. Recipients may choose to serve Indian tribes within their jurisdictions or involve non-profits and special purpose organizations (e.g. public housing authorities, port districts, community action agencies, economic development councils) – but tribes and those organizations may not apply themselves. Eligible projects fall into one of five categories: Public Facilities, Community Facilities, Housing, Economic Development, and Comprehensive (projects with elements that fall into 2+ other categories). Projects must principally benefit persons with low- and moderate-income, defined as 80% of the county median income (in the case of Economic Development, by creating jobs for them). Housing grants cannot fund new construction, but may fund land purchases or supporting infrastructure. Examples of eligible projects: wastewater/storm water/drinking water projects, community facilities, housing, streets and sidewalks, senior and youth centers, Headstart. Applicants may submit one request per CDBG per annual funding cycle.

**Funding for Each Project Type:** Distribution varies from year to year. In recent years, water/sewer projects have received about 55% of total awards, facilities projects about 35%, and housing about 10%. Economic development projects are rare. Housing projects used to be more common, but now there are CDBGs dedicated to Housing Enhancement and Housing Rehabilitation.

**Level of Match Required:** Not applicable**Interest Rate Charged:** Not applicable**Repayment Statistics:** Not applicable

**Application Process:**

- Applications are available in September, when CTED offers an application workshop on each side of the state.
- Applications are due six weeks later, in November.
- A review committee reviews applications and makes award decisions. The committee divides into 3-person review teams to review applications in each category, scoring each out of 100 possible points (25 for each criterion). The process includes deliberation and checks for consistency across categories. When scores are finalized, awards are made from the highest score down, until available funds are gone. (Applications must be rated 65 points or higher to be funded, but this limit rarely becomes relevant.)
- Awards are announced in late February.

**Evaluation Criteria:** There are four criteria: Need, Capacity (staff and financial), Readiness, and Result. They are evaluated as described above.

**Criteria Changes:** None

**Process for Applicant:** The application is lengthy -- over 100 pages with attachments -- and requires narrative answers. Because the clerk/treasurers in small communities are very busy, their applications are often prepared by private grant writers, potential contractors or partners. Engineers will often prepare applications on behalf of a jurisdiction. Similarly, if the funds would be passed through to a subrecipient such as a nonprofit housing authority or utility district, that entity will typically prepare the application.

**PROGRAM GOALS & EVALUATION MEASURES**

**2005 Goals and Objectives:** The goals and objectives do not change: to fund the most compelling, most ready-to-go projects that will provide most benefit for the most low- and moderate-income people. Goals are not set annually.

**How Information Technology is Used to Help Achieve Goals and Objectives:** Information technology is used to track grant administration tasks (including payments and compliance checks) and project scheduling. Computers are used to monitor the status of all projects and keep project managers informed.

**Evaluation Process:** None

**Performance Measures:** The only performance measures in place are jobs created, for Economic Development projects. HUD is developing its own performance measurement system, but it has not yet been released.

**Recent Highlights:** Completion of funded projects.

**Programmatic Challenges:** Generally things run fairly smoothly. Our biggest challenge now is uncertainty about funding: CDBG was not included in the President's budget proposal. We don't expect it to be eliminated, but cuts are likely. Other challenges:

- Busy small town clerks have a hard time complying with so many federal requirements.
- For public facility projects, the cost of complete water or sewer system has gone up in recent years and other funding sources are usually needed. It can be challenging to get the different funders aligned; they have different timelines, and can be reluctant to fund only a part. CTED technical assistance plays an important role in coordinating with other funding agencies, but it is a challenge.

**Similar Programs in Other States:** Unknown. CTED's HUD representative thinks Washington State is in the top echelon.

# COMMUNITY DEVELOPMENT BLOCK GRANT HOUSING ENHANCEMENT GRANT

**Department/Agency:** Department of Community, Trade and Economic Development  
**Division/Office:** Community Development Block Grant

## GENERAL INFORMATION

**Program Purpose:** Housing Enhancement Grants offer flexible companion grants in coordination with the Housing Finance Unit (HFU) by providing eligible Washington State cities and counties the opportunity to partner with non-profit, low-income housing developers to assist in the development or preservation of housing projects. The purpose of the Housing Enhancement Program is to provide a flexible source of funds to streamline project financing and improve the feasibility and affordability of well-developed projects.

**Mission Statement:** None

**Year Established:** 1995

**Legislative Intent:** 42 U.S.C. Sec. 5301

**Governing Board's Role:** None

**Founding Statute Number:**

Not Applicable - the program receives federal funding.

The primary objective of this chapter and of the community development program of each grantee under this chapter is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

## BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$2,070,000	\$2,080,000	\$2,090,000	\$800,000	0.5

**Fund Account(s):**

532 - Washington Housing Trust Account

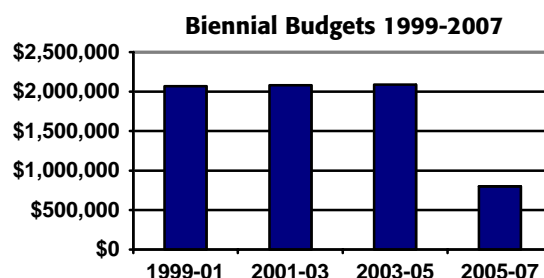
**Funding Source(s):**

Federal Housing and Urban Development Department,  
\$1,000,000

**Recent Changes to Funding Pattern:**

The amount available for Housing Enhancement grants fluctuates based on the amount of Federal Funding received.

During the 2005 Legislative session, the amount allowed for administrative costs for the year 2005 could not exceed 5% of the total budget, rather than the familiar 4% from traditional years.



## APPLICATIONS &amp; AWARDS

**Eligible Agencies:**

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☐ Tribes
- ☐ Special District

**Eligible Program Categories:**

- ☐ Drinking Water
- ☐ Wastewater
- ☒ Stormwater
- ☐ Solid/Hazardous Waste
- ☐ Flood/Irrigation Management
- ☐ Emergency Management
- ☒ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

**Types of Awards:**

- ☒ Grants
- ☐ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No**Average or Range of Awards:****Number of Awards in 2004:** 2

Approximately \$250,000 on average.

**Total Awarded in 2004:** \$624,578

**Specific Project Types Funded:** Housing Enhancement funds are available to cover project costs that cannot be paid for using Housing Trust Fund dollars, but are essential to the project's overall success. Examples of eligible costs include off-site infrastructure that is essential to a housing project and is considered an ineligible cost to the Housing Trust Fund. Housing Enhancement Grants can also be used to pay for the non-housing costs of projects that are an integral part of a comprehensive project. An example would include the costs of a day care facility that has been incorporated into the design of a project that is requesting Housing Trust Fund support.

Housing Enhancement Grants may not be used to fund:

1. New housing construction
2. Costs of equipment
3. Furnishings
4. Personal property not an integral structural fixture such as window air conditioners, washers, or dryers
5. Installation of luxury items, such as a swimming pool

**Funding for Each Project Type:** Unknown

**Level of Match Required:** No match is required, however these are companion funds for HTF projects and therefore there will always be additional matching HTF dollars in the deal.

**Interest Rate Charged:** Not applicable**Repayment Statistics:** Not applicable



**Application Process:** The Community Development Block Grant application process is incorporated into the Housing Trust Fund application process. HTF and CDBG staff coordinate during each funding cycle to ensure a seamless process.

**Evaluation Criteria:**

1. Housing Enhancement Grant requests must be identified within the Housing Trust Fund companion application.
2. Only projects receiving Housing Trust Fund dollars may apply for Housing Enhancement Grants. Housing Enhancement Grants may only be used for activities that are not eligible for funding through the Housing Trust Fund.
3. Eligible applicants are Washington State cities and towns with less than 50,000 in population or counties with less than 200,000 in population that are non-entitlement jurisdictions or are not participants in HUD Urban County Entitlement Consortium.
4. Non-profit organization, Indian tribes, and special purpose organizations such as public housing authorities, port districts, community action agencies, and economic development councils, are not eligible to apply directly to the CDBG Program for funding. However, eligible jurisdictions may choose to serve Indian tribes within their jurisdiction or to involve the other organizations in the operation of projects funded under the program.
5. Projects must principally benefit low- and moderate-income persons. Low- and moderate-income is defined as 80% of county median income.

**Criteria Changes:** None

**Process for Applicant:** Applicants do apply for multiple programs and they do hire consultants to assist them.

### PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** Expend the allocated \$800,000 for eligible projects that serve primarily low- and moderate-income households.

**How Information Technology is Used to Help Achieve Goals and Objectives:**

**Evaluation Process:** There is an annual program evaluation process that is completed as the HUD-required Action Plan is prepared.

**Performance Measures:** None specifically for the Housing Enhancement Program.

**Recent Highlights:**

2002 – 2 projects totaled \$115,750

2003 – 2 projects totaled \$742,340

2004 – 2 projects totaled \$624,578

2005 to date, 3 projects total \$526,307 and one project in process for 2005

**Programmatic Challenges:** Over the years staff have been working through coordination challenges with the Housing Division and there used to be separate HTF and HE applications. To make the application process easier for the applicant, the HTF and HE applications were combined and can be used for both programs.

**Similar Programs in Other States:** None that are known.



## COMMUNITY DEVELOPMENT BLOCK GRANT IMMINENT THREAT GRANT

**Department/Agency:** Department of Community, Trade and Economic Development

**Division/Office:** Local Government Division

### GENERAL INFORMATION

**Program Purpose:** Community Development Block Grant (CDBG) Imminent Threat Grants assist eligible Washington State communities in meeting unique, emergency needs that pose a serious, immediate threat to public health and safety. They provide an interim solution to problems of an urgent nature that were not evident at the time of the CDBG General Purpose grant cycle, and are due to a sudden and unexpected cause. Project examples include the repair of a collapsed city well, the replacement of a blown-off reservoir roof, or the repair of a broken sewer line.

**Mission Statement:** The mission of the Community Development Block Grant Program is to improve the economic, social, and physical environment of eligible cities and counties in ways that enhance the quality of life for low- and moderate-income residents and, as a result, benefit the entire community.

**Year Established:** 1982

**Legislative Intent:** 42 U.S.C. Sec. 5301

**Governing Board's Role:** None

The primary objective of this chapter and of the community development program of each grantee under this chapter is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

**Founding Statute Number:** Not applicable

### BUDGET INFORMATION

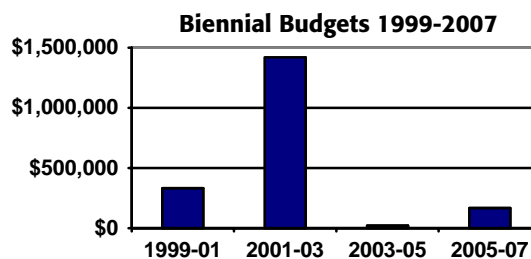
Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$332,313	\$1,420,877	\$21,267	\$166,000	1.25

**Fund Account(s):**

001-2 - State General Fund - Federal  
CDBG Contingency Fund

**Funding Source(s):** Federal Grant.

If funds set aside for Imminent Threat grants are all awarded and further emergency needs arise, more funds can be transferred to the grant from the CDBG Contingency Fund.



**Recent Changes to Funding Pattern:** In FY 2005 \$166,000 of federal funding was set aside for Imminent Threat grants, down from the typical \$200,000. This funding level is maintained on a funds-available basis from the CDBG Contingency Fund, which contains recaptured funds or program income. If all funds set aside for these grants were used there could be an opportunity to use de-obligated or unused funds from other sources. Aside from 2005-07, the numbers above are actual award amounts rather than the initial amount set aside.

## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☐ Tribes
- ☐ Special District

### Eligible Program Categories:

- ☒ Drinking Water
- ☒ Wastewater
- ☒ Stormwater
- ☐ Solid/Hazardous Waste
- ☒ Flood/Irrigation Management
- ☒ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☒ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☒ Grants
- ☐ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No

**Average or Range of Awards:**

**Number of Awards in 2004:** 0

Typical range is \$25,000-70,000

**Total Awarded in 2004:** \$0

**Specific Project Types Funded:** There are two types of eligible applicants: 1) cities and towns with populations less than 50,000; and 2) counties with unincorporated populations of less than 200,000. Recipients may choose to serve Indian tribes within their jurisdictions or involve non-profits and special purpose organizations (e.g. public housing authorities, port districts, community action agencies, economic development councils) – but tribes and those organizations may not apply themselves.

**Funding for Each Project Type:** Not applicable

**Level of Match Required:** Not applicable

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Application Process:** An application may be submitted at any time, but will be awarded on a funds-available basis. The application consists of the following:

1. Answers to a series of questions which seek to establish the scope, severity, validity, history and impact of the imminent threat
2. The appropriate CDBG threshold certifications, resolutions, forms, etc.
3. An official declaration of an emergency by the governing body of the applying city or county

Applications are evaluated by CDBG program staff and verified through contacts with independent sources and site visits, if deemed appropriate. Given the limitation of funds, the review process is rigorous and intended to screen for only the most serious, emergency public health and safety threats that are not eligible for a Public Works Trust Fund loan. Because of the urgent nature of eligible projects, the environmental review process is much abbreviated and every effort is made to expedite the review process.

**Evaluation Criteria:** Normally any eligible project is funded.

**Criteria Changes:** None

**Process for Applicant:** Eligibility standards are strict but the application process itself is necessarily rapid and relatively simple (18 questions). Consultants are not necessary.

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** None

**How Information Technology is Used to Help Achieve Goals and Objectives:** None

**Evaluation Process:** None

**Performance Measures:** HUD is developing its own performance measurement system, but it has not yet been released.

**Recent Highlights:** These grants are rarely used: twice this year, never in the previous year.

**Programmatic Challenges:** The biggest challenge is inherent: delivering a fast enough turn-around on grant applications.

**Similar Programs in Other States:** Unknown

## CENTENNIAL CLEAN WATER FUND

**Department/Agency:** Department of Ecology

**Division/Office:** Water Quality Program

### GENERAL INFORMATION

**Program Purpose:** The Centennial Clean Water Fund (CCWF) provides low-interest loans and grants for wastewater treatment facilities and fund-related activities to reduce nonpoint sources of water pollution.

**Mission Statement:** Water Quality Program Mission Statement: Provide low-interest, grants, or loan and grant combinations for projects that protect, preserve, and enhance water quality in Washington State.

**Year Established:** 1986

**Legislative Intent:** RCW 70.146.010

**Governing Board's Role:** None

It is the purpose of this chapter to provide financial assistance to the state and to local governments for the planning, design, acquisition, construction, and improvement of water pollution control facilities and related activities in the achievement of state and federal water pollution control requirements for the protection of the state's waters.

**Founding Statute Number:**

RCW 70.146 and WAC 173.95a

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$62,526,527	\$50,094,769	\$43,950,000	\$38,000,000	5

**Fund Account(s):**

139-1 - Water Quality Account (State)

057-1 - State Building Construction Account (State)

**Funding Source(s):**

RCW 82.24.027: 4 mills per cigarette (state);

RCW 82.24.026: 1.7 % of 30 mills per cigarette;

RCW 82.26.025: 16.75% of the 129.42% tax on the wholesale price of tobacco products sold, used, consumed, handled, or distributed in WA – repealed as of 7/1/2005;

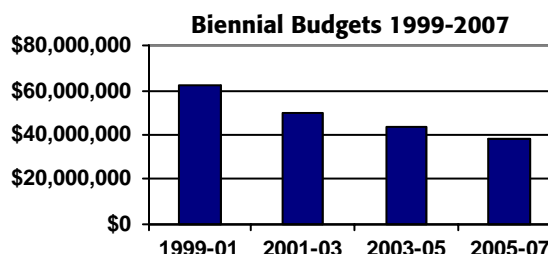
RCW 82.26.020: 13% of the 75% tax on the taxable sale price of cigars and other tobacco products – from 7/1/2005 to 7/1/2021.

RCW 82.32.390 Sales taxes collected on construction material used to build facilities funded by 139-1 - Water Quality Account;

Principal and interest from the repayment of any loans from 139-1 - Water Quality Account; and legislative appropriations.

During the last several biennia, State Building Construction Account funds and State toxics funds have been used to supplement Water Quality Account funds.

**Recent Changes to Funding Pattern:** Revenue from cigarette and tobacco taxes has steadily decreased as tobacco use has decreased. The change in the rate of the tobacco tax will further decrease funds to the program.



To partially offset the decline, the Legislature has found other, temporary sources of funds, such as bond sales and transfers from other accounts.

## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☒ Community Group
- ☒ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☒ Public Landowner
- ☒ State Agency
- ☒ Tribes
- ☒ Special District

### Eligible Program Categories:

- ☐ Drinking Water
- ☒ Wastewater
- ☒ Stormwater
- ☐ Solid/Hazardous Waste
- ☐ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☒ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☒ Grants
- ☒ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 35

**Total Awarded in 2004:**

Competitive Centennial Funds: \$11,176,478

Proviso Centennial Funds: \$17,547,044

Total Competitive and Proviso Funds: **\$28,723,522**

### Average or Range of Awards:

Average: \$852,632

Min: \$86,739

Max: \$5,000,000

**Specific Project Types Funded:** Comprehensive sewer planning, including wastewater elements of capital facilities planning under the Growth Management Act; comprehensive storm water planning; construction of water pollution control; land acquisition as an integral part of the treatment process (e.g., land application) or for prevention of water pollution; land acquisition for siting of water pollution control facilities, sewer rights of way, and easements, and associated costs; land acquisition for wetland habitat preservation; local loan fund establishment for water pollution control; new sewer systems to eliminate failing or failed on-site septic systems; design (plans and specifications) for water pollution control facilities; facilities plans for water pollution control facilities; implementation of best management practices on private property; and others.

**Funding for Each Project Type:** 2/3 (66.6%) of the competitive funding is made available to hardship community construction projects. 1/3 (33.3%) of the competitive funding is made available to nonpoint activity projects. If demand for either designated use is limited the additional funding is made available to the other funding category. Some funding from the 2/3 facility hardship category has been shifted to the 1/3 nonpoint category in a couple of the past funding cycles.

**Level of Match Required:** A 25% match is required for activities projects. A 50% State Revolving Fund companion grant can be awarded from the Centennial Program for construction of a facilities project if hardship can be demonstrated. A State Revolving Fund loan must be accepted as part of the hardship grant.

**Interest Rate Charged:** Varies

**Repayment Statistics:** Ecology awards the majority of Centennial funds as grants and in certain circumstances will provide funding as a loan. Ecology maintains Centennial loan repayment information in the Ecology Loan Tracking System (ELTS). Currently Ecology has 17 Centennial loans in repayment with \$778,396 in estimated principle and interest repayments for the 2005-07 biennium.

**Application Process:** An integrated application process is in place for the Centennial Clean Water Fund, the Water Pollution Control Revolving Fund, and Section 319. Once an application is received, it is rated and ranked by two different evaluators. Applications are evaluated based on fourteen questions describing the problem and proposed solution; public health and water quality threats or impairments being caused; the proposed approach to addressing these problems and related measures of success; local initiatives taken to make the project a success; and State and federal mandates addressed. Each project is rated independently and then averaged between the two evaluators. Once the application is rated and ranked, scores are compiled, a ranked list is developed, and funds are assigned to applicants. The Water Quality Program sends a letter to the applicant indicating that their project has been proposed for funding. This step is followed by a 30-day public comment period. The programs generate a final list after the public comment period. Applicants who are offered funding have one year from the publication of the final offer list to sign the financial assistance agreement.

**Evaluation Criteria:** Projects must sufficiently meet all the criteria laid out in the 14 questions mentioned above.

**Criteria Changes:** The criteria have evolved over time, depending on how water quality criteria have changed. All criteria continue to address water quality or public health. If a project addresses a problem of particular concern, it will gain additional points from the committee rating the projects. By doing this, money is focused into areas with severe water quality troubles.

**Process for Applicant:** Funds are competitive, therefore often applicants apply for funds from multiple programs.

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** To protect and restore Washington's waters.

**How Information Technology is Used to Help Achieve Goals and Objectives:** The Department of Ecology has developed an Access database. Twelve years ago, software was developed to manage the grants. It is currently outdated, but still functional. The Department of Ecology is in the process of redeveloping the system. The Department issues manual payment requests to loan recipients, and much of the tracking and routing agreements are done manually.

**Evaluation Process:** There is no formal process in place, though stakeholders do provide informal feedback.

**Performance Measures:** The Department of Ecology has implemented a process for doing post-project assessment. Applicants are required to identify which Water Quality Program Goal a project meets (eliminating a "severe public health hazard" or "public health emergency"; contributing towards restoring water bodies to water quality standards or preventing healthy bodies from degrading; or regulatory compliance with a consent decree or compliance order). Projects then establish related outcomes and milestones.

There are also quantitative and qualitative performance measures including reducing turbidity, nutrient load, meeting permit limits, fecal coliform monitoring and other water quality improvement measures. The Joint Legislative Audit Review Committee audited the Water Quality program in January 2001. Follow up reports have been issued each year.

**Recent Highlights:**

- \* Ecology's integrated funding program has been nationally recognized as an efficient and effective approach to funding water quality facility and nonpoint activity projects. This approach was also recognized for improving quality, service and efficiency in Governor Locke's Governing For Results in 2000.
- \* Nonpoint Pollution Abatement in Water Resource Inventory Area (WRIA) 1, Whatcom County: A number of grant projects were funded to address the correction of fecal coliform contamination of surface waters resulting from dairy operations. Best Management Practices implemented within the watershed included fencing livestock from streams, stream restoration/plantings, establishing stream buffers and filter strips, manure management programs, and outreach/education programs for the farm community and public. Results clearly show a decrease in contamination with the ongoing implementation of BMPs.
- \* Yakima River Sediment Reduction: In 1995 Ecology estimated that 253 tons per day of sediment were being dumped into the Yakima River. This was impacting water quality, aquatic habitat and designated uses of the waterway. Over an 8 year period and funding of several nonpoint projects through both Centennial grants and SRF loans, the 2003 sampling showed a reduction to 47 tons of sediment per day.
- \* Pe Ell Wastewater Treatment Plant Improvements: This small community received grant and loan assistance to correct failing outdated treatment components. The failing system was seriously impacting water quality in Snow Creek and the Chehalis River from raw sewage overflows during storm events. Updates to the system resolved the water quality impacts.
- \* Small Hardship Communities throughout the State: Over the past seven years, Centennial funding has helped nearly 40 financially distressed communities across the state meet critical wastewater infrastructure needs. This grant funding combined with zero interest SRF loan funding helped these communities offset excessive sewer rates that would have resulted from wastewater treatment plant upgrades and construction.

**Programmatic Challenges:** The primary challenge for CCWF is their inability to meet all the water quality needs in the State. With a reduction in grant money, the ability to meet water quality improvement needs, both facility and non-point has been reduced. Another challenges is insufficient staffing.

**Similar Programs in Other States:** Idaho has a similar program, but Washington is a model state.



## WATER POLLUTION CONTROL REVOLVING FUND

**Department/Agency:** Water Quality Program

**Division/Office:** Department of Ecology

### GENERAL INFORMATION

**Program Purpose:** This program provides low-cost financing or refinancing to local governments for projects that improve and protect the State's water quality. Projects may include publicly-owned wastewater treatment facilities, nonpoint source pollution control projects, and comprehensive estuary conservation and management programs.

The United States Congress established the State Revolving Fund (SRF) loan program as part of the Clean Water Act Amendments of 1987. The amendments authorized EPA to offer yearly capitalization grants to states for establishing self-sustaining loan programs. In response, the State Legislature passed a statute in 1988 (Chapter 90.50A, RCW), which created Washington State's SRF program. Ecology uses an administrative rule (Chapter 173-98 WAC) to manage the program.

**Mission Statement:** Water Quality Program Mission Statement: Provide low-interest, grants, or loan and grant combinations for projects that protect, preserve, and enhance water quality in Washington State.

**Year Established:** 1988

**Legislative Intent:** RCW 90.50A.005

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 90.50a and WAC 173-98

It is the purpose of this chapter to provide an account to receive federal capitalization grants to provide financial assistance to the state and to local governments for the planning, design, acquisition, construction, and improvement of water pollution control facilities and related activities in the achievement of state and federal water pollution control requirements for the protection of the state's waters.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$101,002,536	\$202,412,802	\$125,520,999	\$239,616,286	5

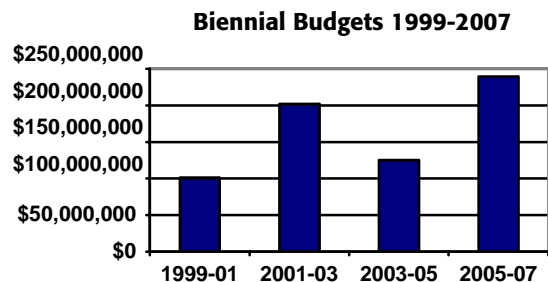
**Fund Account(s):**

727-1 Water Pollution Control Revolving Account (State)  
727-2 Water Pollution Control Revolving Account (Federal)

**Funding Source(s):**

Federal Capitalization Grant from EPA  
20% State match - from 139-1 - Water Quality Account (State)  
Principal and interest repayments  
Investment interest

**Recent Changes to Funding Pattern:** Not Applicable





## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☒ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☒ Tribes
- ☒ Special District

### Eligible Program Categories:

- ☐ Drinking Water
- ☒ Wastewater
- ☒ Stormwater
- ☐ Solid/Hazardous Waste
- ☐ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☐ Grants
- ☒ Loans
- ☒ Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 38

**Total Awarded in 2004:** \$85,161,045

### Average or Range of Awards:

Average: \$17,032,209

Min: \$197,700

Max: \$33,315,649

**Specific Project Types Funded:** Implementation of best management practices on private property; comprehensive sewer planning, including wastewater elements of capital facilities planning under the Growth Management Act; comprehensive storm water planning; construction of water pollution control; land acquisition as an integral part of the treatment process (e.g., land application) or for prevention of water pollution; land acquisition for siting of water pollution control facilities, sewer rights of way, and easements, and associated costs; land acquisition for wetland habitat preservation; local loan fund establishment for water pollution control; new sewer systems to eliminate failing or failed on-site septic systems; facilities design (plans and specifications) for water pollution control facilities; facilities plans for water pollution control facilities; facilities construction for water pollution control facilities.

**Funding for Each Project Type:** 80% for water pollution control facility projects, 20% for activities projects.

This varies based on yearly demand, because funds can be shifted between categories. Historically 97% of the funds available have been offered to local governments with water pollution control facilities projects.

**Level of Match Required:** up to 50%

**Interest Rate Charged:** Ranges from 5-year loans at 30% of market rate to 20-year loans at 60% of market rate.

**Repayment Statistics:** Since the inception of the SRF program in 1990, 387 SRF loans and good faith commitments totaling \$812,740,219 have been made. From the 2005 annual report to EPA, 238 loans are in repayment status totaling \$360,771,315. There have been no loan repayment defaults.

**Application Process:** An integrated application process is in place for the Centennial Clean Water Fund, the Water Pollution Control Revolving Fund, and Section 319. Once an application is received, it is rated and ranked by two different evaluators. Applications are evaluated based on fourteen questions describing the problem and proposed solution; public health and water quality threats or impairments being caused; the proposed approach to addressing these problems and related measures of success; local initiatives taken to make the project a success; and State and federal mandates addressed. Each project is rated independently and then averaged between the two evaluators. Once the application is rated and ranked, scores are compiled, a ranked list is developed, and funds are assigned to applicants. The Water Quality Program sends a letter to the applicant indicating that their project has been proposed for funding. This step is followed by a 30-day public comment period. The programs generate a final list after the public comment period. Applicants who are offered funding have one year from the publication of the final offer list to sign the financial assistance agreement.

**Evaluation Criteria:** Based the series of 14 questions described above, the applications are rated and ranked. There is also an advisory committee made up of various stakeholders that provides advice on project funding.

**Criteria Changes:** None

**Process for Applicant:**

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** To protect and restore Washington's waters.

**How Information Technology is Used to Help Achieve Goals and Objectives:** The Department of Ecology has developed an Access database. Twelve years ago, software was developed to manage the grants. It is currently outdated, but still functional. The Department of Ecology is in the process of redeveloping the system. The Department Issues manual payment requests to loan recipients, and much of the tracking and routing agreements are done manually.

**Evaluation Process:** There is no formal process in place, but stakeholders do occasionally provide input.

**Performance Measures:** The Department of Ecology has implemented a process for doing post-project assessment. Applicants are required to identify which Water Quality Program Goal a project meets (eliminating a "severe public health hazard" or "public health emergency"; contributing towards restoring water bodies to water quality standards or preventing healthy bodies from degrading; or regulatory compliance with a consent decree or compliance order). Projects then establish related outcomes and milestones.

There are also quantitative and qualitative performance measures including reducing turbidity, nutrient load, meeting permit limits, fecal coliform monitoring and other water quality improvement measures. The Joint Legislative Audit Review Committee audited the Water Quality program in January 2001. Follow up reports have been issued each year.

### Recent Highlights:

\* More than \$10 million in SRF loans have been awarded to local governments since 1992 for the establishment of local loan funds for the repair and replacement of failing on site septic systems. Fifteen counties in and around the Puget Sound and Columbia River have provided low interest loans to residents to repair failing septic systems that were impacting water quality. Several county health departments that have been very successful in providing this assistance to local residents apply for funding regularly to supplement their local loan fund and thus continue addressing this critical water quality problem.

- \* The city of Centralia received a \$5 million Centennial Clean Water Program hardship grant and a \$33.7 million no interest SRF loan to construct a new wastewater treatment facility, pump station, conveyance pipelines to transport wastewater from the existing wastewater treatment plant site, and outfall to comply with the Chehalis River TMDL. The wastewater treatment facility operational and is meeting NPDES discharge requirements.
- \* The city of Chehalis is constructing a new wastewater treatment plant capable of producing Class A reclaimed water to irrigate a poplar tree plantation, reconstruction of the City's two largest wastewater pump stations to meet new hydraulic requirements, the construction of a forcemain to convey treated water to a poplar plantation, and to comply with the Chehalis River TMDL. The city of Chehalis received a \$5 million Centennial Clean Water Program hardship grant a companion zero percent interest loan of \$334 thousand for the footprint of the wastewater treatment facility, and a \$33.3 million no interest SRF loan for the remainder of the project.
- \* The Spokane County Conservation District borrowed \$250,000 to establish a local loan fund designed to support the purchase of conservation tillage equipment. One Best Management Practice that is known to reduce the amount of sediment carried off of fields is direct seeding/minimum tillage. This practice replaces the conventional tillage that disrupts the soil. It is estimated that soil erosion can be reduced to 5 tons/acre, preventing millions of tons of sediment from entering the waterways. By reducing the number of tillage operations, residue remains on the field, the volume of organic matter in the soil is increased (aiding water retention) and soil structure is maintained, reducing the soil's susceptibility to erosion.
- \* Five (5) loans for a total amount of \$215,644 were provided to producers for the purchase of minimum tillage systems. Through the use of minimum tillage, 1,449 of additional acres in the Rattler's Run sub watershed of Hangman Creek produce less sediment to the watershed system. An estimated 13,000 tons of sediment from this acreage is prevented from entering the waterways.

**Programmatic Challenges:** There is no real IT backbone to support the process.

Not being able to meet all the water quality needs that are out there. There has also been a reduction in grant money and loan money. This reduces the ability to meet water quality improvement needs, both facility and non-point. Staff also feel that funds for administering the program are insufficient.

**Similar Programs in Other States:** Idaho has a similar program, but Washington is a model state.

## WATER INFRASTRUCTURE PROGRAM

**Department/Agency:** Department of Ecology  
**Division/Office:** Water Resources Program

### GENERAL INFORMATION

**Program Purpose:** Grant funding is provided solely for infrastructure improvement projects and other water management actions that benefit stream flows and enhance water supply. Project benefits must resolve conflicts between water uses for municipalities, agriculture, and fish restoration, improving the efficiency of irrigation, and so enhancing the availability of water for streamflow purposes including fish, wildlife and recreational uses. The stream flow or fish habitat improvements gained from the project must be proportional to the investment of state funds. In 2004, the program's first year, 11 projects worth \$5.8 million were implemented at the request of the Governor. Beginning in 2005, a competitive process will be used to distribute grants.

**Mission Statement:** Water Quality Program Mission Statement: Provide low-interest, grants, or loan and grant combinations for projects that protect, preserve, and enhance water quality in Washington State.

**Year Established:**

2003-5 Biennium

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 43.27A.090

**Legislative Intent:** RCW 43.27A.090

To apply for, accept, administer and expend grants, gifts and loans from the federal government or any other entity to carry out the purposes of this chapter and make contracts and do such other acts as are necessary insofar as they are not inconsistent with other provisions hereof.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
NA	NA	\$5,800,000	\$12,000,000	

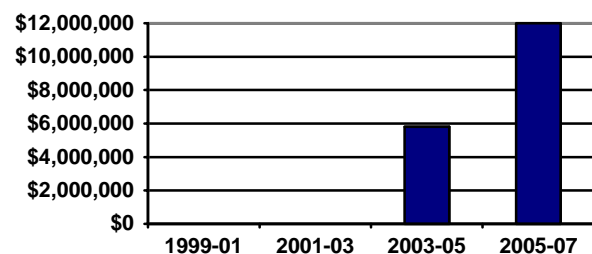
**Fund Account(s):**

057-1 - State Building Construction Account (State)

**Funding Source(s):**

**Recent Changes to Funding Pattern:**

In the 2003-5 biennium, funds were provided through Referendum 38, the Centennial Water Quality Account and the State Building Construction Account. In the 2005-7, all funding came from the State Building Construction Account. The Department will request future funding from this account.



## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☒ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☒ Tribes
- ☒ Special District

### Eligible Program Categories:

- ☐ Drinking Water
- ☐ Wastewater
- ☐ Stormwater
- ☐ Solid/Hazardous Waste
- ☒ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☒ Grants
- ☐ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 11

**Total Awarded in 2004:** \$5,800,000 (all projects in 2004 were determined by the Governor)

### Average or Range of Awards:

Max: As of 2005-7 biennium, the maximum award is \$250,000

**Specific Project Types Funded:** Projects which increase the efficiency of water conveyance, allowing for the same quantity of water to be used for agricultural irrigation, while allowing preserving more water for fish. Most projects involve converting open, unsealed ditches to pipes or improving diversions and dams to allow for more habitat.

**Percent of Funding:** See Specific Project Types Funded, above

**Level of Match Required:** No match is required, however the public investment will only provide funding equivalent to public benefit gained: the value of habitat protected and instream flow maintained. The Department works with Fish and Wildlife to determine the value of public benefit.

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

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**Application Process:** Applicants submit short written proposals to Ecology, which are due in late October. Ecology reviews proposals in November, and notifies award recipients in early December.

**Evaluation Criteria:** Projects must meet the following criteria:

1. Be a part of a watershed planning effort, either: one of the 16 fish critical basins, a planning basin under the Watershed Planning Act (Chapter 90.82 RCW), a Comprehensive Irrigation District Management Plan, or a Salmon Recovery Plan.
2. Have an element for improving instream flows or conditions that benefit fish.
3. Be identified as a medium or high priority reach or tributary in the "Washington Water Acquisition Strategy" or in reaches where the project would significantly improve fish habitat conditions.

Additional priority will be given to finish projects currently under construction.

**Criteria Changes:** 2005 was the first year of the competitive process.

**Process for Applicant:** Initial applications are requested to be short, "preferably no more than eight pages in length." Those applicants who receive preliminary approval of their projects in December are asked to provide a more detailed scope of work.

## PROGRAM GOALS & EVALUATION MEASURES

### 2005 Goals and Objectives:

#### How Information Technology is Used to Help Achieve Goals and Objectives:

#### Evaluation Process:

**Performance Measures:** The Water Resources Program issues quarterly reports on the total acre-feet of water protected.

**Recent Highlights:** The program has been well received and supported, evidencing significant need.

**Programmatic Challenges:** While the Legislature has indicated that enhancement of streamflow for fish, wildlife and recreational uses is an important priority, the tools to meet achieve this goal will require funding support. To date, a stable, long-term source for this funding has not been clarified.

**Similar Programs in Other States:** Staff were not familiar with similar programs in other states, saying that "If you want to see what's new and innovative in the Western states, you have to look at Washington. We're often on the leading edge."

## DROUGHT PREPAREDNESS

**Department/Agency:** Department of Ecology  
**Division/Office:** Water Resources Program

### GENERAL INFORMATION

**Program Purpose:** This program funds drought relief and projects and activities to prepare the State for future droughts and climate change, as well as compliance activities. Funding for this program is largely depleted, and it has no significant dedicated, on-going funding. It has received supplemental appropriations during recent droughts, however.

**Mission Statement:** Water Resources Program Mission Statement: Support sustainable water resources management to meet the present and future water needs of people and the natural environment, in partnership with Washington communities.

**Year Established:** 1999

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 43.83b and WAC 173-166

**Legislative Intent:** RCW 43.83b and WAC 173-166

The legislature in 1989 gave permanent drought relief authority to the Department of Ecology and enabled Ecology to issue orders declaring drought emergencies. (1) Chapter 171, Laws of 1989 authorizes the Washington State Department of Ecology (Ecology) to assist in alleviating future drought conditions throughout the state, and sets forth the criteria and procedures for implementing the 1989 drought relief legislation. (2) Ecology has authority under chapter 171, Laws of 1989 to: (a) Issue emergency permits to withdraw public waters as an alternate source of water supply; (b) Approve water right transfers between willing parties; (c) Provide funding assistance for eligible drought projects and measures.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$529,524	\$4,300,000	\$4,000,000	\$6,600,000	1

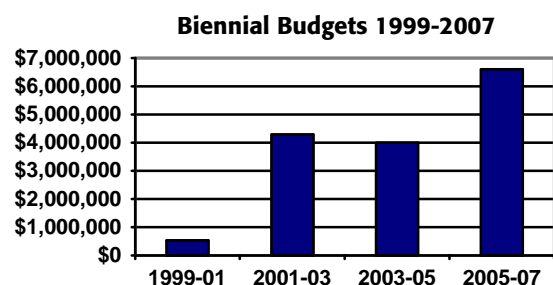
**Fund Account(s):**

05W-1 - State Drought Preparedness Account  
032-1 - State Emergency Water Projects Revolving Account

**Funding Source(s):**

Previous bond sales, a transfer from the Emergency Water Fund, loan repayments and interest payments, and in 2005 a transfer from 355-1 - State Taxable Building Construction Account.

**Recent Changes to Funding Pattern:** None





## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☒ State Agency
- ☒ Tribes
- ☒ Special District

### Eligible Program Categories:

- ☐ Drinking Water
- ☐ Wastewater
- ☐ Stormwater
- ☐ Solid/Hazardous Waste
- ☒ Flood/Irrigation Management
- ☒ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☒ Grants
- ☒ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No

**Average or Range of Awards:**

**Number of Awards in 2004:** 10

\$75,000 to \$4,000,000

**Total Awarded in 2004:** \$1,600,000

**Specific Project Types Funded:** Eligible infrastructure and equipment includes pumps and accessories, discharge lines, pipelines, canals and laterals with control structures, liners for leaky pipes and canals, diversion structures, reregulating reservoirs, measuring devices, wells with pumps and accessories.

Eligible measures that may also be funded include the means for implementing water conservation procedures, acquiring alternate water sources, or transferring water rights, provided that the proposed measure represents an additional cost to the applicant as the result of drought conditions, and not as a substitute for normal water supply costs.

**Funding for Each Project Type:** All applicants go through a competitive process. Other agencies are brought in to assist in reviewing applications, such as the Department of Fish and Wildlife and the Department of Agriculture. The Water Resources Program puts together an award list, and works with project proponents to develop a detailed scope of work.

**Level of Match Required:** 10% or more

**Interest Rate Charged:** Varies, as the loan is not to exceed 15 years

**Repayment Statistics:** Information forthcoming

**Criteria Changes:** None

**Process for Applicant:** The application process is new; this biennium is the first time there will be a formal competitive application process. The Department of Ecology is in the process of looking at systems to allow the agency's grant programs to be accessed through the web. There will be one point of web access for all funding applications.



## REFERENDUM 38 - WATER SUPPLY FACILITIES

**Department/Agency:** Department of Ecology  
**Division/Office:** Water Resources Program

### GENERAL INFORMATION

**Program Purpose:** Funds for this program are fully allocated and no new grants are expected. In 1980 voters approved Referendum 38, known as the Water Supply Facilities 1980 Bond Issue. It was designed to provide financial assistance to public bodies that manage water such as irrigation districts and public water supply systems.

The referendum authorized the State Finance Committee to issue \$125 million in bonds (\$75 million for public water supply systems and \$50 million for agricultural water supply facilities) either alone or in combination with fishery, recreational or other beneficial uses of water. The Department of Ecology (Ecology) is responsible for administering the \$50 million in bond funding for agricultural water supply facilities. Ecology provides grants and loans to public irrigation districts to help them repair or improve existing agricultural water conveyance facilities such as ditches, pipes and other irrigation systems.

**Mission Statement:** Water Resources Program Mission Statement: Support sustainable water resources management to meet the present and future water needs of people and the natural environment, in partnership with Washington communities.

**Year Established:** 1980

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 43.99e and WAC 173-170

**Legislative Intent:** RCW 43.99e and WAC 173-170

For the purpose of providing funds for the planning, acquisition, construction, and improvement of water supply facilities within the state, the state finance committee is authorized to issue general obligation bonds of the state of Washington in the sum of sixty-five million dollars, or so much thereof as may be required, to finance the improvements defined in this chapter and all costs incidental thereto.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$8,767,998	\$7,526,059	\$13,273,941	\$0	5

**Funding Account(s):**

072-1 - State and Local Improvements Revolving - Water Supply Facilities

**Funding Source(s):**

Bond sales, loan repayments, and interest payments.

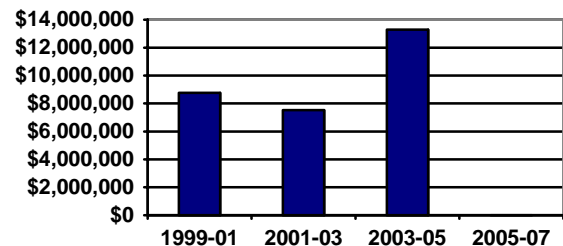
**Recent Changes to Funding Pattern:**

As of the 2003-05 biennium, \$1.6 million of the bond authority is left to commit through the competitive application process.

Future needs are estimated at \$5.8 million. Any project already

signed that does not use the full amount of the grant money, plus any interest and principal payments on existing loans will be dedicated to meet the future needs until all the funds are used.

**Biennial Budgets 1999-2007**



## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☒ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☒ Tribes
- ☐ Special District

### Eligible Program Categories:

- ☐ Drinking Water
- ☐ Wastewater
- ☐ Stormwater
- ☐ Solid/Hazardous Waste
- ☒ Flood/Irrigation Management
- ☒ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☒ Grants
- ☒ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No

**Total Awarded in 2004:** \$7,000,000

**Number of Awards in 2004:** 10

**Average or Range of Awards:** Varies

**Specific Project Types Funded:** Almost any project that would conserve water quantity or that studies how to increase water quantity.

**Funding for Each Project Type:** All applicants go through a competitive process with an application review period.

**Level of Match Required:** Varies by project

**Interest Rate Charged:** Varies by project type

**Repayment Statistics:**

**Application Process:** Applicants fill out a short form describing the benefits of the project and its proposed budget. Application review is performed in consultation with appropriate agencies such as the Department of Fish and Wildlife and the Department of Agriculture. Based on the interagency review of applications, the Water Resources Program puts together an award list. A standard application process has recently been implemented. This biennium is the first time there is a formal competitive application.

**Evaluation Criteria:** The criteria vary by project type.

**Criteria Changes:** A geographic balance criteria was recently added.

## FLOOD CONTROL ASSISTANCE ACCOUNT PROGRAM

**Department/Agency:** Department of Ecology

**Division/Office:** Shorelands and Environmental Assistance

### GENERAL INFORMATION

**Program Purpose:** The Flood Control Assistance Account Program (FCAAP) is designed to assist local governments in reducing flood hazards and damages by providing technical and financial assistance in the development and implementation of comprehensive flood hazard management plans (CFHMPs), engineering feasibility studies, physical flood damage reduction projects, acquisition of flood prone properties, public awareness programs, flood warning systems and other emergency projects.

**Mission Statement:** Reduce the adverse impacts of flooding on the people, property, environment, and economy of the State.

**Year Established:** 1984

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 86.26 and WAC 173-145

**Legislative Intent:** RCW 86.26 and WAC 173-145

The Department [of Ecology] shall determine priorities and allocate available funds from the flood control assistance account program (FCAAP) among those counties applying for assistance, and shall adopt rules establishing the criteria by which those allocations must be made. The criteria must be based upon proposals that are likely to bring about public benefits commensurate with the amount of state funds allocated thereto. This chapter describes the manner in which Ecology will implement the provisions of the act.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$3,100,000	\$3,100,000	\$1,200,000	\$2,100,000	4

**Fund Account(s):**

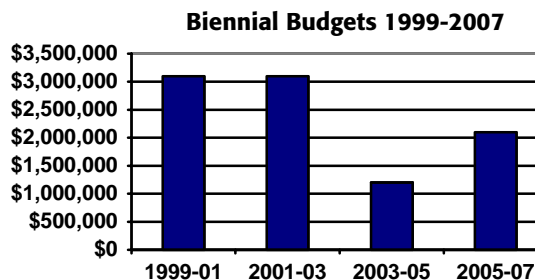
02P-1 - Flood Control Assistance Account

**Funding Source(s):**

State General Fund - 100%

**Recent Changes to Funding Pattern:**

Funding was cut substantially for the 2003-05 biennium, and has not recovered to previous levels.



## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☒ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☒ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☒ Public Landowner
- ☒ State Agency
- ☒ Tribes
- ☒ Special District

### Eligible Program Categories:

- ☐ Drinking Water
- ☐ Wastewater
- ☐ Stormwater
- ☐ Solid/Hazardous Waste
- ☒ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☒ Grants
- ☐ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 20

**Total Awarded in 2004:** \$1,214,000

### Average or Range of Awards:

Over the past 4 biennia, the average grant amount has been between \$61,000 and \$97,000. Over the past 7 biennia, the average grant has been \$70,000.

**Specific Project Types Funded:** Flood control, diking, drainage, and conservation districts for all municipal corporations that participate in the National Flood Insurance Program, including cities and counties and quasi-governmental entities that are governed by those jurisdictions.

**Funding for Each Project Type:** Unknown

**Level of Match Required:** 25%

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Application Process:** Applications are invited approximately 7 months prior to the new biennium, with a three month application window. A multi-agency Grant Application Evaluation Team reviews the applications and determines awards based on the relative merit of the projects, geographic and public benefit considerations, and available funds. Management of the Shorelands and Environmental Assistance (SEA) program then reviews and approves the awards.

**Evaluation Criteria:** The general criteria are evaluating the public benefit of the project and its potential to provide protection for people and property in reducing flood damages. The program also establishes a biennial focus and tries to fund projects that meet those types of efforts while balancing the need to address geographic and special needs considerations.

**Criteria Changes:** Only the biennial focus has changed recently. The most recent biennium focused on flood hazard mapping projects to be in synch with federal (FEMA) efforts. However, the full range of potential projects remained eligible.

**Process for Applicant:** Most applicants prepare their own documents, but some do hire consultants. Applicants are encouraged to apply for funding from multiple sources.

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** Goal: Reduce flood hazards and enhance environmental considerations in the State's floodplains by providing funding and technical assistance to local governments.

Objectives: 1) Minimize flood damages to people and property (including infrastructure); 2) Provide improved tools to address local floodplain management objectives; 3) Provide current and consistent information on flooding and flood hazard areas, including improved maps and mapping tools; 4) Provide added resources to effectively comply with state and federal regulations.

**How Information Technology is Used to Help Achieve Goals and Objectives:** FCAAP has increased its use of information technology to simplify the grant application process, creating grant agreements and reporting in order to expedite the flow of information and reduce paper needs.

**Evaluation Process:** FCAAP processes are evaluated biennially and adjustments made prior to each funding cycle. The Grant Application Evaluation Committee will prepare recommendations for revisions during this fiscal year. A survey is planned to gain input from past grantees. Also, each grant project is evaluated by staff working with the grantees prior to grant close-out.

**Performance Measures:** Performance measures are established in each grant agreement based on the project. Quarterly reporting is required and each grant is monitored on a monthly basis by staff. There are also performance measures at the program level to assure that funds are being spent on appropriate tasks for eligible activities at appropriate levels. The Program works to assure that all grant funds are spent for worthwhile projects, often re-programming dollars near biennium closings to maximize the flood damage reduction benefits of the funds.

**Recent Highlights:** For the 2005-07 biennium funding provided was able to leverage 93% more funding from the Salmon Recovery Board to the Town of Lone to remove a hazardous dam that blocked fish passage. The program is also funding a floodplain restoration project in Kitsap County as recommended in a previously completed CFHMP which supports two basic tenets of effective floodplain management: flood loss reduction and ecological enhancement. During the 2003-05 biennium 4 flood-prone property acquisitions were funded, and the Town of Hamilton was assisted in addressing long-standing floodplain management problems with planning for a hazard mitigation/relocation project. In the 2001-03 biennium 6 flood-prone property acquisitions were funded, plus 5 flood warning systems, and improved flood hazard mapping in King and Pierce counties. In the 1999-2001 biennium 10 CFHMPs were funded, several of which were in areas with no previous planning efforts like Lincoln County. Also funded were 5 flood warning systems, 3 emergency levee repair projects, and the University of WA to develop a floodplain management course.

**Programmatic Challenges:** The most significant recent programmatic challenge facing FCAAP is the funding reductions for the present and past biennia. In times of escalating costs the grant funds available have been reduced when additional funding to more fully fund projects or to fund more projects was needed. Also, reduced funding from other sources has put more of a burden on FCAAP to cover administrative costs, including ever-increasing indirect costs.

**Similar Programs in Other States:** Washington is one of very few states that has a flood hazard reduction grant program. In fact, Minnesota used FCAAP as a model for their program.

## COORDINATED PREVENTION GRANT

**Department/Agency:** Department of Ecology

**Division/Office:** Solid Waste

### GENERAL INFORMATION

**Program Purpose:** The Coordinated Prevention Grant Program helps local governments to develop and implement their hazardous and solid waste management plans. Two types of grants are available: 1) Solid and Hazardous Waste Planning and Implementation Grants and 2) Solid Waste Enforcement Grants.

**Mission Statement:** None

**Year Established:** 1988

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 70.105D and WAC 173-312

**Legislative Intent:** RCW 70.105D and WAC 173-312

The purposes of the coordinated prevention grants program are to:

- (a) Consolidate all grant programs funded from the local toxics control account, and other programs in subsection (2) of this section that may be selected, into a single program, except for remedial action, public participation, and citizen proponent negotiations grants.
- (b) Promote regional solutions and intergovernmental cooperation.
- (c) Prevent or minimize environmental contamination by providing financial assistance to local governments to help them comply with state solid and hazardous waste laws and rules.
- (d) Provide funding assistance for local solid and hazardous waste planning and for implementation of some programs and projects in those plans.
- (e) Encourage local responsibility for solid and hazardous waste management.
- (f) Improve efficiency, consistency, reliability, and accountability of grant administration.

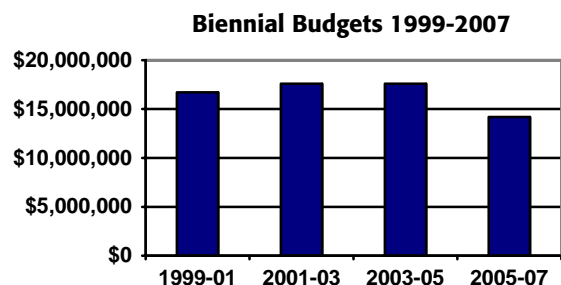
### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$16,700,000	\$17,600,000	\$17,600,000	\$14,200,000	5

**Funding Account(s):** 174 - Local Toxics Control Account

**Funding Source(s):** Hazardous Substances Tax

**Recent Changes to Funding Pattern:** None



## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☐ Tribes
- ☐ Special District

### Eligible Program Categories:

- ☐ Drinking Water
- ☐ Wastewater
- ☐ Stormwater
- ☒ Solid/Hazardous Waste
- ☐ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☒ Grants
- ☐ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No

**Number of Awards in 2004:** 120

**Total Awarded in 2004:** \$18,100,000

### Average or Range of Awards:

Money is distributed on a per capita basis, depending on the population of an area.

**Specific Project Types Funded:** Solid and Hazardous Waste Planning and Implementation Grants are available for local planning authorities for writing or updating a Local Comprehensive Solid Waste Management Plan or Local Hazardous Waste Plan. A local planning authority with an Ecology-approved plan - as well as lead implementation agencies - may also receive money through this type of grant for plan implementation projects.

Solid Waste Enforcement Grants are available for jurisdictional health departments and districts for support enforcement of solid waste regulations.

**Funding for Each Project Type:** Of regular cycle grants, 80% are for Solid and Hazardous Waste Planning and Implementation, while 20% are for Solid Waste Enforcement. Off-cycle grants are competitive.

**Level of Match Required:** 25%

**Interest Rate Charged:** Not applicable

**Repayment Statistics:** Not applicable

**Application Process:** A grant officer is available to provide assistance at any point during the application process. For 2005, applications for the regular cycle grant may be submitted between July 1, 2005, and September 2, 2005. Ecology reviews applications for eligibility, scoring each using the minimum threshold score process. This process screens out incomplete applications and also judges projects on the basis of whether or not they have concrete outcomes, take logical steps that will produce them, and have a measurement tool in place. Applicants are notified by their grant officer by September 16, 2005, as to whether their application met the requirements for



eligibility and the minimum threshold score. Applications not meeting this threshold may be resubmitted by September 30, 2005. Rewritten applications are responded to by October 14, 2005.

**Evaluation Criteria:** According to WAC 173-312-070, the department will refer to the following priority order in evaluating projects:

- (a) Required hazardous waste planning under chapter 70.105 RCW and required solid waste planning under chapter 70.95 RCW
- (b) Programs and projects to implement adopted local hazardous waste plans, including waste reduction and recycling
- (c) Solid waste enforcement programs
- (d) Programs and projects to implement adopted local solid waste plans, including waste reduction and recycling

The department will evaluate each application according to the extent to which it:

- (a) Conforms to the adopted local hazardous waste and solid waste plans
- (b) Advances regional solutions and intergovernmental cooperation
- (c) Supports the state's goal to achieve a fifty percent recycling rate
- (d) Confers broad benefit on residents of the county, whether they reside in incorporated areas or unincorporated areas
- (e) Meets the needs of local government for projects that prevent environmental contamination from solid and hazardous waste
- (f) Uses the state's resources efficiently
- (g) For solid waste enforcement funding, takes into account the number of disposal sites and the geographic area requiring enforcement activity

The following additional criteria are applied to off-cycle grants: 1) the expected outcome is clear and easy to understand; 2) the project has the potential to provide valuable information or can serve as an example or pilot project; 3) the project uses funds efficiently and/or provides significant outcomes; 4) The project involves multiple partners, such as more than one grant recipient, or a recipient partnering with another organization or entity; and 5) the project meets an important local or statewide need.

**Criteria Changes:** Following the 2001 JLARC study titled "Investing in the Environment: Environmental Quality and Loan Programs," changes to the program were made related to the minimum threshold score for grant applications, the application forms, the period of the off-set cycle, the criteria for the off-set cycle, the process for awarding funds in the off-set cycle and report forms and information sharing.

**Process for Applicant:** Unknown

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:** There are many goals and objectives for the Coordinated Prevention Grants. They can be read in their entirety on pages 38 and 39 of the guidelines: <http://www.ecy.wa.gov/pubs/0507025.pdf>

**How Information Technology is Used to Help Achieve Goals and Objectives:** The Solid Waste Program is currently in the process of completing a database that tracks projects, including outcomes of projects.



**Evaluation Process:** Every grant is evaluated by the recipient and grant officer during the grant cycle and upon completion. The grant program is reviewed with an on-going group of stakeholders.

**Performance Measures:** Performance measures exist on a project by project basis. At the State level, there are broad measures that exist in terms of tracking waste and waste management.

**Recent Highlights:** A compost facility was recently built in Walla Walla correctional facility. The compost facility was a huge success as it saved the correctional facility a lot of money, served as a regional piece of infrastructure, and provided work to inmates.

Progress has also been made in expanding the program to handle mercury and electronics waste. In addition, progress has been made in promoting green building. Techniques that focus on recycling of construction materials and building more energy efficient structures are encourage.

**Programmatic Challenges:** In general, there is not enough money to go around. There was a 40% cut in funding for the base programs. In addition, many of the programs are very small. Once you leave population dense counties, it becomes very difficult to promote waste management as it is a very centralized practice. It is important that cost measurement is not more than 5% of the project cost.

**Similar Programs in Other States:** As Washington is very different in terms of how it handles waste and its revenue, there are few states that work like Washington and have the tax base to support it.

## SAFE DRINKING WATER ACTION GRANTS

**Department/Agency:** Solid Waste Program

**Division/Office:** Department of Ecology

### GENERAL INFORMATION

**Program Purpose:** Help local governments or a local government applying on behalf of a provider to provide safe drinking water to areas where a hazardous substance has contaminated drinking water. The Department of Ecology provides funding through the Remedial Action Grants Program and administers the grant so that remedial action goals are met, while the Department of Health identifies sites and provides technical oversight to ensure that State regulations regarding drinking water are met.

**Mission Statement:** None

**Year Established:** 1990

**Legislative Intent:** RCW 70.105D and WAC 173.322

**Governing Board's Role:** None

**Founding Statute Number:**

RCW 70.105D and WAC 173.322

The intent of the remedial action grants and loans is to encourage and expedite the cleanup of hazardous waste sites and to lessen the impact of the cleanup on ratepayers and taxpayers. The remedial action grants and loans shall be used to supplement local government funding and funding from other sources to carry out remedial actions.

### BUDGET INFORMATION

Capital Budget 1999-2001:	Capital Budget 2001-03:	Capital Budget 2003-05:	Capital Budget 2005-07:	Number of FTEs:
\$4,701,433	\$904,500	\$75,750	\$3,000,000	1

**Fund Account(s):**

174-1 - Local Toxics Control Account

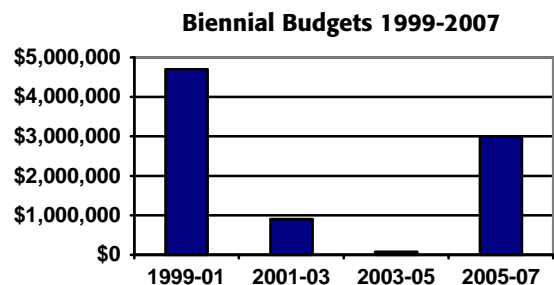
**Funding Source(s):**

Hazardous Substances Tax

**Recent Changes to Funding Pattern:**

A decline in funding over several biennia was reversed for the 2005-07 biennium.

Budget figures shown are Awards for all but 2005-07.



## APPLICATIONS & AWARDS

### Eligible Agencies:

- ☐ Commercial Agency
- ☐ Community Group
- ☐ Conservation District
- ☐ Federal Agency
- ☒ Local Government
- ☐ Non Profit
- ☐ Private Agency
- ☐ Private Interest Group
- ☐ Private Landowner
- ☐ Public Landowner
- ☐ State Agency
- ☐ Tribes
- ☐ Special District

### Eligible Program Categories:

- ☒ Drinking Water
- ☐ Wastewater
- ☐ Stormwater
- ☒ Solid/Hazardous Waste
- ☐ Flood/Irrigation Management
- ☐ Emergency Management
- ☐ Housing
- ☐ Health Facilities
- ☐ Community Facilities
- ☐ Public Safety
- ☐ Outdoor Recreation
- ☐ Transportation
- ☐ Utilities
- ☐ Business/Econ Dev Facilities

### Types of Awards:

- ☒ Grants
- ☐ Loans
- ☐ Technical Assist.

**Is Legislative Approval Required?** No

**Total Awarded in 2004:** \$75,750

**Number of Awards in 2004:** 2

**Average or Range of Awards:** varies

### Specific Project Types Funded:

- Treatment equipment and facilities, including air stripping towers, package treatment plants, point-of-use treatment systems, and similar approaches.
- Costs identified by Ecology as necessary to protect a public water system from contamination from a hazardous waste site or to determine the source of such contamination.
- Water supply source development and replacement, including pumping and storage facilities, source meters, and reasonable accessories.
- Transmission lines between major system components, including inter-connections with other water systems.
- Distribution lines from major system components to system customers or service connections.
- Fire hydrants.
- Service meters.
- Project inspection, engineering, and administration.
- Other costs identified by the Department of Health as necessary to provide a system that operates in compliance with federal and state standards, or by the coordinated water system plan as necessary to meet required standards.
- Individual service connections, including any fees and charges, provided that property owners substantially participate in financing the cost of such connections.
- Drinking water well abandonment for wells identified by Ecology as an environmental safety or health hazard according to the Minimum Standards for Construction or Maintenance of Wells (WAC 173-160-415).
- Interim financing where necessary as a prerequisite to local government issuance of revenue bonds.

**Funding for Each Project Type:** Awards are distributed on a payment voucher basis. The grantee pays out of pocket and is then reimbursed.

**Level of Match Required:** Up to 50%

**Interest Rate Charged:** Not Applicable

**Repayment Statistics:** Not Applicable

**Application Process:** Applicants fill out a three-page application describing the scope, schedule, and budget of a project. Local governments may submit applications for safe drinking water action grants at any time. If an order or decree has been issued to a local government, application for the grant must be made within 60 days after the effective date of the order or decree.

**Evaluation Criteria:**

1. Designated beneficial uses will be restored or protected
2. A public health emergency will be eliminated
3. Regulatory compliance will be achieved to address an order or decree

The purpose of safe drinking water grants is to remedy water contamination problems caused by hazardous substances. Generally, the solutions fall into three categories: treatment, extension of an existing water system, or providing a new water source. Unless it is clearly demonstrated to the contrary, the solution preferred for funding is treating the water and eliminating the source of contamination.

**Criteria Changes:** None

**Process for Applicant:** Unknown

## PROGRAM GOALS & EVALUATION MEASURES

**2005 Goals and Objectives:**

**How Information Technology is Used to Help Achieve Goals and Objectives:**

**Evaluation Process:** The State Auditor annually reviews a selection of grants for fiscal compliance.

**Performance Measures:** Progress reports are required from grantees. Many of the projects have formal agreements with multiple requirements to meet. In addition, site managers are assigned to each grantee to provide oversight.

**Recent Highlights:**

City of Warden (ongoing) - 2005  
 City of Centralia (ongoing) - 2005  
 City of Lynden - 2002

**Programmatic Challenges:** Getting grant money out to everybody

**Similar Programs in Other States:** The Safe Drinking Water Program (Hazardous Waste Sites) is a model program.

## **ATTACHMENT C**

### **SUMMARY OF OTHER LOCAL INFRASTRUCTURE INVESTMENT PROGRAMS**



## **ATTACHMENT C**

### **SUMMARY OF OTHER LOCAL INFRASTRUCTURE INVESTMENT PROGRAMS**

The programs described in this Attachment were evaluated according to the screening criteria described in Section 2.0 and determined not to be appropriate for inclusion in the detailed Program Inventory. The programs are briefly described here to provide a complete picture of the State's infrastructure funding system. These programs are of two general types:

- 1) Initial planning or pre-construction support that contributes to later public infrastructure development. Such programs include the Small Communities Initiative, Public Works Trust Fund Planning and Pre-Construction loans and others.
- 2) Development, rehabilitation, preservation or replacement of facilities that do not meet this project's definition of basic public infrastructure. These programs fund other infrastructure such as community and recreation facilities; housing; arts, cultural and historic buildings; and other infrastructure owned and operated by non-profits or private businesses.

The section contains summary descriptions of these programs, organized into the following seven categories:

- Pre-Construction Planning and Technical Assistance Programs
- Community and Economic Development
- Historic Preservation Programs
- Housing Assistance Programs
- K-12 School Construction
- Outdoor Recreation
- Pre- and Post-Disaster Relief





## **PRE-CONSTRUCTION PLANNING AND TECHNICAL ASSISTANCE PROGRAMS**

**The following programs provide pre-construction funding for project planning:**

### **Public Works Trust Fund Planning Loans**

**Administering Agency:** Public Works Board

**Program Description:** Eligible activities for these planning loans include environmental studies (such as biological and environmental assessments) and updates to existing Capital Facilities Plans. Six systems are eligible: bridges, sanitary sewers, domestic water systems, roads, storm sewers, and solid waste/recycling. Public Works Planning funds may be used for either single or multiple systems. Funds can only be used for work done by consultants selected under a competitive process. The first loans for this program were issued in 1989.

No match is required for this loan, and funds are loaned at zero percent interest. There is a six year repayment length and a loan limit of up to \$100,000 per jurisdiction, per biennium. Projects must be completed within 18 months after contract execution.

### **Public Works Trust Fund Pre-Construction Loan Program**

**Administering Agency:** Public Works Board

**Program Description:** Eligible projects for the Public Works Board Pre-Construction Loan Program include the repair, replacement, rehabilitation, reconstruction, or improvement of eligible public works systems to meet current standards for existing users or users included under assumptions of reasonable growth (generally the 20-year growth projection in the local government's comprehensive plan). Specific activities may include preliminary engineering, right-of-way acquisition, bid document preparation, design engineering, and environmental studies. Six systems are eligible: bridges, sanitary sewers, domestic water systems, roads, storm sewers, and solid waste/recycling. The first loans for this program were issued in 1996.

One million dollars is available per jurisdiction per biennium from this loan program. The interest rate is linked to percentage of local match (15% Local Match = 0.5% Interest Rate; 10% Local Match = 1.0% Interest Rate; 5% Local Match = 2.0% Interest Rate). The loan term is five years maximum, or 20 years with proof of construction funding. Projects must be completed within 18 months after contract execution.

## **Wastewater Management Program**

**Administering Agency:** Department of Health, Office of Environmental Health and Safety

**Program Description:** This program provides consultative and technical support to local health jurisdictions, on-site sewage system operators, the general public, and other local, state, and federal agencies. Technical assistance includes consultations on the siting, design, installation, operation, and maintenance of on-site sewage systems. The Office also develops and implements standards for the performance, application, design, operation and maintenance of on-site sewage treatment and disposal systems.

**Annual Budget:** The 2003-2005 biennial budget was \$3,765,531.

### **The following programs provide technical assistance and funding coordination:**

#### **Infrastructure Assistance Coordinating Council**

**Administering Agencies:** The IACC is a non-profit organization made up of staff from state and federal agencies, local government associations, nonprofit technical assistance firms, tribes and universities. The IACC is an all-volunteer organization with staff time donated by various organizations.

**Program Description:** The IACC offers an annual training and information conference and a searchable website on program offerings. Each November the organization sponsors a workshop bringing together potential applications and Washington's wide array of local infrastructure funding programs, including representatives of federal programs. Jurisdictions are able request review of their specific needs by IACC "Tech Teams," which then offer suggestions of appropriate funding sources. The IACC website hosts its *InfrastructureDATABASE*, which catalogs more than 200 federal and state sources for infrastructure funding and technical assistance.

## **Small Communities Initiative (SCI)**

**Administering Agencies:** Department of Community, Trade and Economic Development, together with the Departments of Ecology and Health

**Program Description:** In 1999, the Department of Community, Trade and Economic Development, collaborating with the Departments of Health and Ecology, formed the Small Communities Initiative. This program assists small, rural communities of 1,000 people or less that are simultaneously struggling with economic viability and compliance with health and environmental regulations. The primary goals of SCI are to help these small communities gain access to State resources in order to promote compliance with environmental and public health requirements and to support the economic vitality of Washington's small communities. Most assistance provided is related to finding funding to address failing water and wastewater systems.

To help communities complete projects efficiently, SCI works to establish and sustain working relationships between the communities and both funding and regulating agencies, as well as fostering interagency coordination and communication. SCI achieves this mission by helping small, incorporated cities or utility districts develop more focused projects, make strategic investments, identify and access appropriate fund sources, and meet all funding requirements.

Since its founding, SCI has helped 11 communities complete and sustain a range of projects.

SCI is governed by a steering committee with members representing CTED and the Departments of Health and Ecology. Initially staffed by one person, CTED now employs two full-time SCI program managers to provide technical assistance and serve as liaisons between the communities to and various state agencies.

**Annual Budget:** The program's 2005 budget was \$235,000.

## **Business and Project Development Unit**

**Administering Agency:** Department of Community, Trade and Economic Development, Economic Development Division

**Program Description:** The Business and Project Development Unit (BPD) works to encourage in-state and out-of-state businesses to establish and expand operations in Washington. In addition to providing location searches and research on matters such as labor market, workforce training, taxes, regulations, financing, transportation, and incentives, staff "partner with communities on infrastructure development, permitting and other actions in support of your project." BPD staff are familiar with state and federal infrastructure funding sources and they market and package various investment resources to support business siting, retention and expansion projects.

## **Washington Community Economic Revitalization Team (WA-CERT)**

**Administering Agency:** Department of Community, Trade and Economic Development, Economic Development Division

**Program Description:** The history of the WA-CERT program dates back to the late 1980s and early 1990s. It was formed as the Governor's Timber Team and tasked with addressing the economic impacts of the timber crisis. Reconfigured as WA-CERT in 1993, the principal function of program became to provide an on-line database that allows counties and tribes to register their economic development projects, listing them in priority order. The "WA-CERT list" allows state, federal and non-profit funders to quickly understand a communities prioritized needs. Of the programs studied here, the Community Development Block Grant Community Investment Fund requires that projects be ranked in the top three of an applying county's WA-CERT list.

Funding for WA-CERT was cut in the 2003 budget and the online database is no longer maintained by CTED. CTED still accepts and files lists of local project priorities provided by counties on a volunteer basis.

# COMMUNITY AND ECONOMIC DEVELOPMENT

## Member- and Governor-Added Local Capital Projects

The Department of Community, Trade and Economic Development is responsible for administering member- and governor-added local capital projects, the funding for which goes to go to local governments and non-profit agencies. Prior to the 2003-5 biennium, these projects were listed in various places within the Capital Budget and referred to collectively as "Local Capital Projects." In the 2003-5 biennium, such projects were aggregated under a single proviso labeled "Local/Community Projects" and in the 2005-7 Capital Budget, a new appropriation – "Jobs in Communities" – was added. Section 3.4 provides additional information related to these appropriations.

**Local/Community Projects Biennial Budget:** The 2005-2007 biennial budget is \$39,390,000.

**Jobs in Communities Projects Biennial Budget:** The 2005-2007 biennial budget is \$12,250,000.

## CDBG Interim Construction Float Grant/Loan

**Administering Agency:** Department of Community, Trade, and Economic Development, Local Government Division, Community Development Block Grant Program.

**Program Description:** These short-term loans are made in support of certain awards made by the U.S. Department of Agriculture's Rural Development division. The federal program has rules that prohibit it from providing awarded funds until a project has reached a certain stage of completion. Washington's CDBG program provides short-term loans to projects needing interim funding during construction before the USDA Rural Development funds become available. It uses funds allocated to the principal CDBG program, but not expected to be drawn down during the duration of the float loan term, efficiently putting to use funds that would otherwise be inactive.

There is another program using CDBG funds to make float loans, but it is administered by the Business Finance Unit in CTED's Economic Development Division. For more information. see "CDBG Economic Development Float Loans," below.

## Bond Cap Allocation

**Administering Agency:** Department of Community, Trade, and Economic Development

**Program Description:** The Bond Cap Allocation Program (BCAP) provides the legally required review and approval for Washington State to comply with federal tax laws on the issuance of tax-exempt bonds classified as private activity. BCAP does not issue tax-exempt bonds to private projects: their role is to approve and oversee the issuance of bonds. For example, a private developer interested in building a low income housing development can ask a local, bond issuing housing authority for tax-exempt bond sales. The housing authority then applies to BCAP for permission to issue those bonds.

Washington State is annually permitted a finite pool of tax-exempt bond sales for privately funded projects that serve the public good. For example, in 2004 Washington State's Bond Cap was \$490 million or \$80 per capita. BCAP's objective is to allocate and use 100% of the available annual cap.

Tax-exempt bond sales are further allocated into the following five categories with three percent of the total tax-exempt bond allocation reserved for general use: small issue manufacturing (24% of total tax-exempt bond allocation); public utility districts (10%); housing (30%); capital facilities (19%); and student loans (14%).

## **CTED Capital Programs**

CTED's Capital Programs are administered by the agency's Local Government Division and provide funding for capital projects that contribute to local economies throughout the State. Each program awards matching grants to community-based nonprofit organizations to acquire, develop, or renovate their facilities. The programs award competitive grants every two years.

### **Building for the Arts**

**Administering Agency:** Department of Community, Trade and Economic Development, Local Government Division

**Program Description:** This program awards state grants to nonprofit performing arts, art museum and cultural organizations to defray up to 20% of eligible costs for the acquisition, construction, and/or major renovation of capital facilities. The program expends reimbursement-style grants funded by the sale of state bonds. Biennially, an Advisory Board selects awardees through a competitive grant process that solicits eligible projects. Grant monies have been distributed to organizations such as the Nordic Heritage Museum in Seattle, McIntyre Hall in Mount Vernon, and the Children's Museum of Spokane. The program has recently focused on grantees' organizational, financial and managerial capacity, in conjunction with the Governor's GMAP initiative. With this new perspective, program administrators seek to achieve optimal value by distributing grants to those who prove fiscal responsibility and strong project management ability.

**Biennial Budget:** The 2005-2007 biennial budget is \$5,390,000.

### **Community Services Facilities Program**

**Administering Agency:** Department of Community, Trade and Economic Development, Local Government Division

**Program Description:** This program distributes State grants to nonprofit organizations to pay up to 25% of eligible capital costs for the acquisition, construction and/or major renovation of non-residential social service capital facilities. An Advisory Board oversees the ranking and application process, determines which applicants should receive grants, and presents this list to the Legislature for approval. Since the inception of the GMAP process in 2005, administrators have been working toward the accountability measures set forth in the Initiative

to ensure that grants are distributed fairly across the State to all types of eligible programs while maintaining low administrative costs and program integrity.

**Biennial Budget:** The 2005-2007 biennial budget is \$5,350,000.

### **Youth Recreational Facilities Program**

**Administering Agency:** Department of Community, Trade and Economic Development, Local Government Division

**Program Description:** The 2003 Washington State Legislature created the Youth Recreational Facilities Program to award State grants to nonprofit organizations to defray up to 25% of capital costs for the acquisition, construction and/or major renovation of nonresidential youth recreational facilities.

**Biennial Budget:** The 2005-2007 biennial budget is \$3,300,000.

### **CTED Business Assistance Programs**

CTED's **Business Finance Unit** "provides technical assistance, financing services and targeted lending to assist small and medium-sized businesses in obtaining loan capital for start-up and expansion projects that create or retain jobs, stimulate private investment, increase the local tax base, and strengthen community economic vitality (CTED website)." Only businesses operating in Washington State are eligible for these programs. A Memorandum of Understanding coordinates CDBG program administration and reporting to HUD through the Local Government Division, which administers the majority of the State's CDBG programs, and the Business Finance Unit, which manages three CDBG-related programs: CDBG Economic Development Float Loans, Section 108 Loan Guarantees, and the Rural Washington Loan Fund.

The funds and programs described below are of interest to this study given their ability to fund infrastructure development. These programs are categorized differently from those funding "basic public infrastructure" in that the investments made by these programs support private sector infrastructure, including business and child care capital facilities.

Other programs administered by the Business Finance Unit include the Brownfields Cleanup Revolving Fund, the Coastal Loan Fund, the Forest Products Revolving Loan Fund, the Child Care Micro Loan Fund and Small Business Administration (SBA) loans:

### **CDBG Economic Development Float Loans**

**Administering Agency:** Washington State Department of Community, Trade and Economic Development, Economic Development Division, Business Finance Unit

**Program Description:** These short-term loans are made available to businesses in non-eligible cities and counties by utilizing funds allocated to the principal CDBG program, but not expected to be drawn down during the duration of the float loan term, efficiently putting to

use funds that would otherwise be inactive. Float loans are made to businesses which promise to retain or create jobs available to qualified low-income candidates. Typically loans are made at rates well below prime. In the past this program was restricted to economic development activities, however use of these float funds has been expanded to include interim construction financing for eligible community development and housing activities.

There is another program using CDBG funds to make float loans, but it is administered by CTED's Local Government Division. For more information, see "CDBG Interim Construction Float Grant/Loan," above.

**2004 Economic Development Float Loan Activity:** In 2004, a single float loan of \$8.4 million was made to Cardinal Glass of Lewis County for working capital and inventory.

### **HUD Section 108 Guaranteed Loans**

**Administering Agency:** Washington State Department of Community, Trade and Economic Development, Economic Development Division, Business Finance Unit

**Program Description:** This program can be used to support private sector capital facility development, as well as equipment and inventory. The program utilizes CDBG funds to guarantee bond issuances. No funds are expended unless the private sector recipient defaults, in which case CDBG funds are drawn upon until such time as the private enterprise can resume servicing the bond.

Borrowers must have a local government sponsor eligible to receive State CDBG assistance. HUD must approve the project, which must meet the following conditions:

- The need for assistance is appropriate given the type of the project
- The project will create jobs, and if qualified lower-income candidates are available, the majority of the jobs must be made available to them. Retention of jobs can also be considered as a qualifying factor
- The proposed repayment is 20 years or less
- Other reasonable financing alternatives have been exhausted
- The request is not less than \$700,000 nor does it exceed \$7 million
- The sponsoring jurisdiction has less than \$7 million in outstanding 108 Loan Guaranties

### **Child Care Facility Fund**

**Administering Agency:** Washington State Department of Community, Trade and Economic Development, Economic Development Division, Business Finance Unit

**Program Description:** The Washington State Child Care Facility Fund provides grants and loans to non-profit and for-profit child care providers, to expand the quality and supply of affordable and convenient child care in Washington. Loan funds can be used to start, expand or make capital improvements to a licensed child care facility; acquire personal property for a



child care facility that is depreciable under the federal tax code; purchase health and safety improvements or program equipment for child care facilities; or pay a new child care facility's operating costs for its first three months. Grant funds may only be used to purchase health and safety improvements or equipment for child care facilities. Examples include curriculum and supplies, fire alarm systems, locks, changing tables, kitchen equipment, playground equipment, and a plumbing upgrade required by a state licensing authority.

**Annual Budget:** Approximately \$180,000

### **Rural Washington Loan Fund**

**Administering Agency:** Washington State Department of Community, Trade and Economic Development, Economic Development Division, Business Finance Unit

**Program Description:** The Rural Washington Loan Fund provides gap financing to businesses that will create new jobs or retain existing jobs, particularly for lower-income persons. Only businesses in nonentitlement areas of the state are eligible for these loans. "Gap" is defined as that portion of a project which cannot be financed through other sources, but which is the last portion needed before the overall investment can occur.

Funds can be lent for the acquisition, engineering, improvement, rehabilitation, construction, operation, or maintenance of any property, real or personal, that is used or is suitable for use by an economic enterprise. While the program can support infrastructure development, to date, loans have been made to fund working capital such as equipment and inventory.

Priority is given to projects in timber-dependent and distressed areas. Priority projects include businesses in the following categories:

- Manufacturing or other industrial production
- Agricultural development or food processing
- Aquaculture development or seafood processing
- Development or improved utilization of natural resources
- Tourism facilities
- Transportation or freight facilities
- Other activities which represent new technology or a type of economic enterprise needed to diversify the economic base of an area
- Retail or service enterprises that will expand the community's economic base rather than primarily redistribute the existing customer base

**Biennial Budget:** The 2005-2007 biennial budget is \$4,126,905. The program is funded with CDBG funds, which are switched with dollars from the State Building Construction Account. This avoids violation of Washington's constitutional prohibition of extending State funds to private enterprises.

# HISTORIC PRESERVATION PROGRAMS

## Heritage Capital Project Fund

**Administering Agency:** Washington State Historical Society

**Program Description:** The Heritage Capital Project Fund began because Washington needed a program to "support capital needs and facilities of heritage organizations, tribal governments, public development authorities, and local government agencies that interpret and preserve Washington's history and heritage." Through a competitive grant application process, the fund awards grants (which must be met with a two-to-one match) for projects including additions, renovations, and new construction involving museums, interpretive centers, historic structures, and public buildings.

**Biennial Budget:** The 2005-2007 biennial budget is \$4,612,500.

## Historic Preservation Fund

**Administering Agency:** Department of Archaeology and Historic Preservation

**Program Description:** This program is of interest to this study because during the 2005-07 biennium, \$5 million was appropriated to the Historic Preservation Fund Grant by the Legislature for the purpose of restoring historic courthouses. Funds for this program are distributed to state agencies from the U.S. Treasury Historic Preservation Fund, with proceeds derived from the federal leasing of offshore oil drilling sites. Funds are distributed through the Certified Local Government Program and are used for historic preservation activities specified in federal laws and regulations, ultimately nominating researched places of historic interest to the National Register of Historic Places and carrying out a program of comprehensive preservation planning.

**Biennial Budget:** The 2005-2007 biennial budget is \$5,000,000.

## HOUSING ASSISTANCE PROGRAMS

### Housing Trust Fund

**Administering Agency:** Department of Community, Trade, and Economic Development, Housing Division

**Program Description:** The Washington State Legislature established the Housing Trust Fund (HTF) in 1987 as a renewable resource of loans and recoverable grants to support low and very low income housing. HTF helps meet the need for housing for special needs populations, such as people with chronic mental illness, developmental disabilities, homeless families, frail elderly people, and farmworkers.

The intent of HTF funds is to fill the gap created by a withdrawal of federal funds for housing assistance. While its primary focus is on revitalizing existing buildings, HTF funds can also be used for new construction or acquisition of low and very low-income housing units; rent subsidies directly related to providing housing for special needs tenants in assisted projects; technical assistance, including design and finance services; and consultation and administrative costs for eligible nonprofit community or neighborhood-based organizations.

**Biennial Budget:** The 2005-2007 biennial budget was \$97,500,000.

### Farmworker Housing Infrastructure Loan Program

**Administering Agency:** Department of Community, Trade and Economic Development, Housing Division

**Program Description:** The Farmworker Housing Infrastructure Loan Program makes forgivable no-interest loans to growers to finance infrastructure necessary to develop on-farm housing. Originally funded in 2000 by a one-time Federal grant, it received an appropriation of State funds in 2005-07.

**Biennial Budget:** The 2005-2007 biennial budget was \$2,500,000.

## K-12 SCHOOL CONSTRUCTION

### **School Construction Assistance Grants**

**Administering Agency:** Office of Superintendent of Public Instruction

**Program Description:** The School Construction Assistance Program is a cornerstone program of the K-12 system for capital expenditures. This program creates partnerships with local communities to provide funding to build and modernize schools. It focuses on new construction and modernization of existing buildings, but does not provide for small repairs or maintenance. No funding is provided for administrative buildings; funds must be used for buildings for student learning. The program limits funding to a certain amount of space per student and to a certain cost per square foot. The school district must successfully pass a bond to support loan repayments in order to be eligible for the program. The school must also be increasing in attendance. The State Board of Education is the budget authority and also has project approval authority and rule authority.

**Biennial Budget:** The 2005-2007 biennial budget is \$617,400,000.

## OUTDOOR RECREATION

The programs described in this subsection are administered by the Interagency Committee for Outdoor Recreation (IAC), which was established by Initiative 215 in 1964. The Committee is composed of five citizens appointed by the Governor and the State agency directors (or their designees) of the Department of Natural Resources, the Washington State Parks and Recreation Commission and the Washington Department of Fish and Wildlife. Most programs have an Advisory Board which provides input and guidance.

Each of the programs utilizes the Project Information System (PRISM), a software application developed in-house to assist with managing grants and applications.

PRISM is used for processing grant applications, accounting and evaluation for all programs in the IAC. Instead of printed applications materials, applicants can choose to receive a CD-ROM with the software, or download it from the IAC website. Application materials other than original signatures can be submitted over the Internet, with applicants able to view, modify, and check on the status of their application after submittal. PRISM is also expected to help the agency work within the Governor's Management, Accountability and Performance (GMAP) management initiative.

### **Boating Facilities Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The Boating Facilities Program (BFP) helps communities acquire, develop, and renovate boating facilities, including launching ramps, transient moorage, and support facilities on fresh and saltwater.

BFP grants can only be used for capital improvements, which include design and engineering. Additionally, grants may include permitting, and a very small amount can be used for grant administration.

**Biennial Budget:** The 2005-2007 biennial budget is \$8,350,000.

## **Boating Infrastructure Grant Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The Boating Infrastructure Grant Program (BIG) funds facilities for recreational transient boating, focusing on vessels 26 feet long or longer. Projects greater than \$100,000 are considered Tier 2 requests and are submitted to the federal program for funding.

There is no governing board, but an evaluation team reviews grants for both State Tier 1 (under \$100k) requests and Federal Tier 2 (over \$100k) projects.

Annually, \$100,000 is allotted for BIG at the State level. Additional funds may be distributed by the central federal funding agency through Tier 2 grants.

Boat clubs, yacht clubs, and private marinas can apply but they must be open to the public. Projects include moorage docks that can accommodate large vessels, 40 to 50 foot boarding floats, breakwaters, and navigational guides. No acquisitions are eligible, only renovations, and information and education projects.

Both Tiers must complete the State application, and if a project is recommended to and accepted for consideration on the national level (Tier 2), the applicant must complete federal forms. The evaluation team recommends projects to the federal level, where they are first reviewed on a regional level. It has been the goal of the evaluation committee and the program to make the application process as simple as possible, considering the multiple application levels.

**Biennial Budget:** The 2005-2007 biennial budget is \$190,000.

## **Firearms and Archery Range Recreation Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The Firearms and Archery Range Recreation Program (FARR) funds projects which acquire, develop, and renovate public and private nonprofit firearm ranges and archery training grounds and practice facilities. It also funds equipment purchases, safety or environmental improvements, noise abatement and liability protection. Priority is given to noise abatement and safety improvement projects.

Most grants (upward of 60%) are awarded to non-profit groups, including gun clubs and associations, who are trying to maintain or develop ranges.

**Biennial Budget:** The 2005-2007 biennial budget is \$223,000.

## **Land and Water Conservation Fund**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The Land and Water Conservation Fund (LWCF) is administered by the U.S. Department of the Interior through the National Park Service and the IAC, with funding coming from a portion of federal revenue derived from sale or lease of off-shore oil and gas resources. The program assists with preserving, developing and providing accessibility to outdoor recreation resources. Projects include, but are not limited to, parks, trails, wildlife lands, and other lands and facilities promoting individual active participation.

LWCF funds provide matching grants to assist states and local governments to acquire, develop, and renovate public outdoor recreation areas and facilities. New parks and additions to existing parks are eligible, although swimming pools and ice skating rinks are the only eligible indoor facilities. LWCF funds a variety of projects including: athletic fields; multipurpose courts; playgrounds; skate parks; support facilities such as parking, restrooms, storage, and utilities; and vistas and view points.

**Biennial Budget:** The 2005-2007 biennial budget is \$4,500,000.

## **National Recreational Trails Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The National Recreational Trails Program (NRTP) is administered by the U.S. Department of Transportation through the Federal Highway Administration and IAC, with funding coming from federal gasoline taxes attributed to recreational nonhighway uses. The program seeks to rehabilitate and maintain recreational trails and facilities providing a backcountry experience. The program assists with the maintenance of recreational trails, development of trail-side and trail-head facilities, construction of new trails, and the operation of environmental education and trail safety programs. Eligible elements must directly convey a safety and/or environmental message.

NRTP provides grants for recreational trails and trail-related facilities for both nonmotorized and motorized recreational areas used for hiking, bicycling, equestrian use, cross-country skiing, snowmobiling, off-road motorcycling, all-terrain vehicle riding, and four-wheel driving.

**Biennial Budget:** The 2005-2007 biennial budget is \$2,350,000.

## **Non-highway & Off-Road Vehicle Activities Program**

**Administering Agency:** Office of the Interagency Committee

**Program Description:** The Non-Highway & Off-Road Vehicle Activities Program (NOVA) helps develop and manage recreation opportunities for activities such as cross-country skiing, hiking, horseback riding, mountain biking, hunting, fishing, sightseeing, motorcycling, and riding all-terrain and four-wheel drive vehicles.

NOVA provides funds for planning, capital improvements, maintenance and operation, and off-road vehicle education and enforcement. Projects funded from the motorized vehicle fund can include driving for pleasure, fishing, boating, camping, gathering, picnicking and other recreational uses. For non-motorized fund grants, there is a focus on trail-related activities including cross-country skiing, mountain biking, horseback riding, and snowshoeing. For off-road grants, the focus is on all-terrain vehicles and motorcycles, including trails.

Allowable capital projects can involve acquisition, development and renovation. Non-capital projects can include planning activities such as feasibility studies and environmental assessments to determine whether an area is suitable for off-road recreation, as well as maintenance and operation of trails. Funds are also allocated to education and enforcement, with a focus on safety.

**Biennial Budget:** The 2005-2007 biennial budget is \$7,579,000.

## **Washington Wildlife and Recreation Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** The Washington Wildlife and Recreation Program funds acquisition and development of local and state parks, water access sites, trails, critical wildlife habitat, natural areas, and urban wildlife habitat. Its goal is to protect and preserve undeveloped land and create recreation opportunities for future generations with an emphasis on acquisitions of land for protected habitat. With recent legislative changes, maintenance and renovation projects are also eligible.

**Biennial Budget:** The 2005-2007 biennial budget is \$48,500,000.



## **Youth Athletic Facilities Program**

**Administering Agency:** The Interagency Committee for Outdoor Recreation

**Program Description:** This program provides grants to cities, counties and qualified nonprofit organizations for new athletic facilities, and for the improvement and maintenance of existing facilities.

Funding has been erratic for this program. It was initially funded by a \$10 million grant from Paul Allen. The program has also received about \$1 million in Interest earned on funds in its account. In the future it will receive excess revenue from the taxes collected and lottery funds dedicated to retiring the bonds sold to construct the Seahawk's football stadium, but it is not known when this may occur. There will not be a grant cycle for the 2005-2007 biennium because enough funds were not accumulated.

**Biennial Budget:** The 2005-2007 biennial budget is \$0.

## PRE- AND POST-DISASTER RELIEF

The following federal pre- and post-disaster programs are administered through the Emergency Management Division (EMD) of the Washington Military Department. The pre-disaster programs do not involve State monies, while the post-disaster programs involve State participation typically equivalent to 12.5% of project costs.

### Pre-Disaster Programs

Funding for these pre-disaster mitigation programs is 75% federal and 25% local, with no State monies involved.

#### Pre-Disaster Mitigation Competitive (PDMC)

**Program Description:** This competitive federal program is designed to fund infrastructure investments that mitigate damage from subsequent events. Eligible applicants include the State government, local governments, special districts, certain non-profit organizations with government-like services and facilities, and Indian Tribes. Examples of eligible projects include the acquisition, elevation and relocation of structures from hazard-prone areas; construction activities that provide protection from hazards; and the development of local natural hazard mitigation plans. The State reviews applications for completion and compliance with the State Mitigation Plan and sends approved applications to the Federal Emergency Management Agency's (FEMA) National Review team for further consideration.

**Annual Budget:** Nationally, \$150 million is available for projects.

#### Flood Mitigation Assistance (FMA) Program

**Program Description:** This federal program focuses on prevention of repetitive flood-related damage for insured structures. Examples of eligible projects include retrofitting to protect structures from future flood damage or the acquisition, elevation and relocation of structures from areas prone to flooding. Applications are evaluated by a work group of state and local representatives, with recommended projects forwarded to FEMA for approval and funding based upon competitive scoring and available funds.

**Annual Budget:** Washington State receives approximately \$200,000 a year in federal funds through the FMA Program.

## Disaster Programs

These post-event programs require a Presidential declaration of a major disaster. Funding is 75% federal and 25% non-federal (usually 12.5% State and 12.5% local). State funds are supplied via the Disaster Response Account or a separate account if so determined by OFM and the State Legislature. The Military Department is the administering body which collects applications and manages grants. Full-time State staff members manage the Public Assistance Program, the Hazard Mitigation Grant Program and the Human Services Program. The Human Services Program provides disaster assistance to individuals and households, and is not addressed here.

### Public Assistance (PA) Program

**Program Description:** These funds are available to repair damage to government-owned infrastructure, such as roads, bridges, and utilities following a disaster event. Eligible applicants include local governments, special districts, certain non-profits, and Indian Tribes. Following an event, project worksheets with project descriptions and cost estimates are prepared by joint local-state-federal teams. Projects must be approved at the state and federal level.

### Hazard Mitigation Grant Program (HMGP)

**Program Description:** This post-disaster program funds projects to prevent future damage from any natural hazards. Projects must be in line with the State Hazard Mitigation Strategy. Eligible applicants include local governments, special districts, certain non-profits, and Indian Tribes. Applications are evaluated by a work group of state and local representatives, with recommended projects forwarded to FEMA for approval and funding based upon score and available funds.

**Available Funds:** Post-disaster requests for HMGP funds have historically exceeded the available funding by a ratio of ten to one.



**ATTACHMENT D**

**FUNDING INVENTORY**



# ATTACHMENT D

## FUNDING INVENTORY

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## INTRODUCTION

This document presents Part 2 of an Inventory of Washington State's public infrastructure programs and systems. Part 1, under separate cover, inventories the programs. The Inventory is an important element of a larger effort to assess the efficiency and effectiveness of the State's public infrastructure investments, which is being conducted in three phases:

- Phase 1:** Development of a research and analysis work plan for Phase 3 (completed);
- Phase 2:** Research and inventory specific State infrastructure programs and funds; and
- Phase 3:** Analyze the State's programs and funds, make findings and recommendations, and prepare drafts and final reports.

The Funding Inventory presented here will be updated over the course of the project, as information continues to be collected in Phase 3 work. Final Program and Fund Inventories will be submitted with the project's Final Report, on December 1, 2005.

### 1.0 FUNDING INVENTORY SCOPE

This Funding Inventory characterizes the source of funding for each of the programs documented in the infrastructure Program Inventory. The Funding Inventory describes the following information:

- Name of the fund account
- Revenue sources, categorized by level of government
- Summary of revenue history
- Expected future revenues

The methodological approach is presented in Section 2.0. Sections 3.0 through 8.0 provide a description of the program funding. Section 9.0 presents a brief description of taxes used to fund multiple programs.

### 2.0 METHODOLOGY

The Funding Inventory was developed using information from several sources:

- Interviews with key State personnel
- Data provided by State personnel
- State and federal agency web sites
- State and federal agency program reports
- The Office of Financial Management's Fund Reference Manual
- The Department of Revenue's 2005 Tax Reference Manual
- The Revised Code of Washington and the Washington Administrative Code
- The State Legislature's Bill Information database

For each program, the budget officer and other key staff provided data on funding sources and funding history. Additional program funding information was collected from Department of Revenue reports and the Office of Financial Management. The Fund Reference Manual and the Revised Code of Washington were extensively consulted to inform the analysis. Attachment I lists State employees who assisted in developing the inventory.

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## **3.0 DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT**

### **3.1 Public Works Trust Fund Programs**

The Public Works Trust Fund (PWTF) is a revolving loan fund established in 1985 by the Legislature, along with the Public Works Board, which administers the Fund. It is funded by four State taxes and the repayment of loans it issues. The fund awards loans through four programs: the Construction Loan Program (CLP), the Emergency Loan Program (ELP), the Pre-Construction Loan Program, and the Planning Loan Program. Only the CLP and ELP directly fund infrastructure projects. The other two programs provide loans to fund planning for infrastructure projects. For reference, Exhibit D - 1 provides a diagram showing the flows of funds into and out of the account used by the PWTF. Two other programs currently receive funds from the account, and another will begin to in FY 2007.

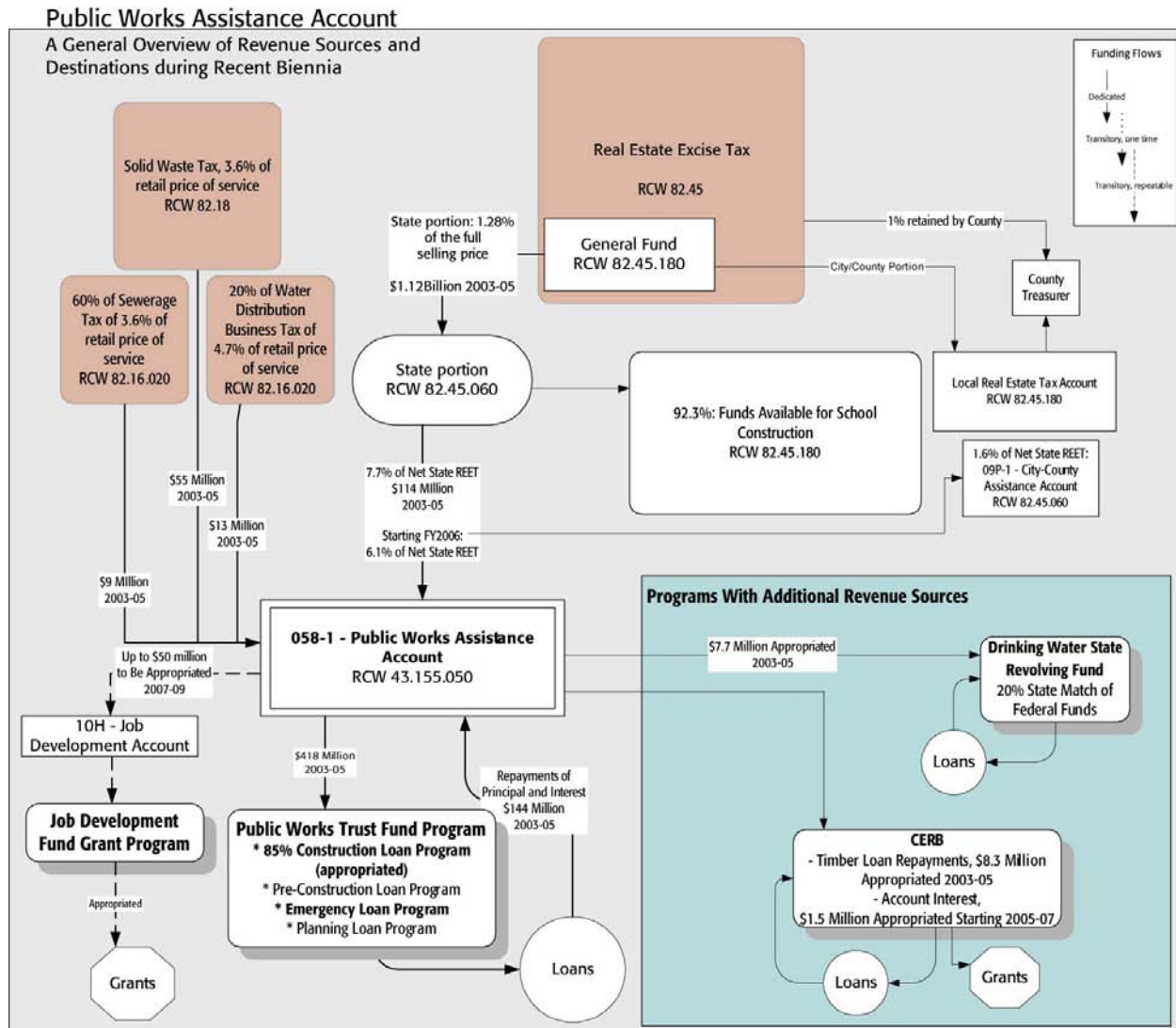
The CLP is the largest of the four PWTF loan programs – it receives no less than 85% of appropriated funds. All CLP loans must be appropriated, while loans in the other three categories do not. The ELP is funded on an as-needed basis from the remaining 15%. To date a larger amount has been loaned through the ELP than through the Planning Loan Program. However, the Pre-Construction Loan Program has loaned about seven times as much as the ELP over the life of the fund, \$79 million to \$11.5 million.

The four taxes that fund the PWTF are:

- Solid Waste Tax: 3.6% of the cost of the service, RCW 82.18
- Public Utility Tax, Sewerage Collection: 60% of the 3.6% of the cost of the service, RCW 82.16.020
- Public Utility Tax, Water Distribution: 20% of the 4.7% of the cost of the service, RCW 82.16.020
- Real Estate Excise Tax (REET): 6.1% of the 1.28% of full selling price, RCW 82.45.060.

## Exhibit D - 1

### Funding Flow for Public Works Assistance Account



Source: Berk & Associates, 2005

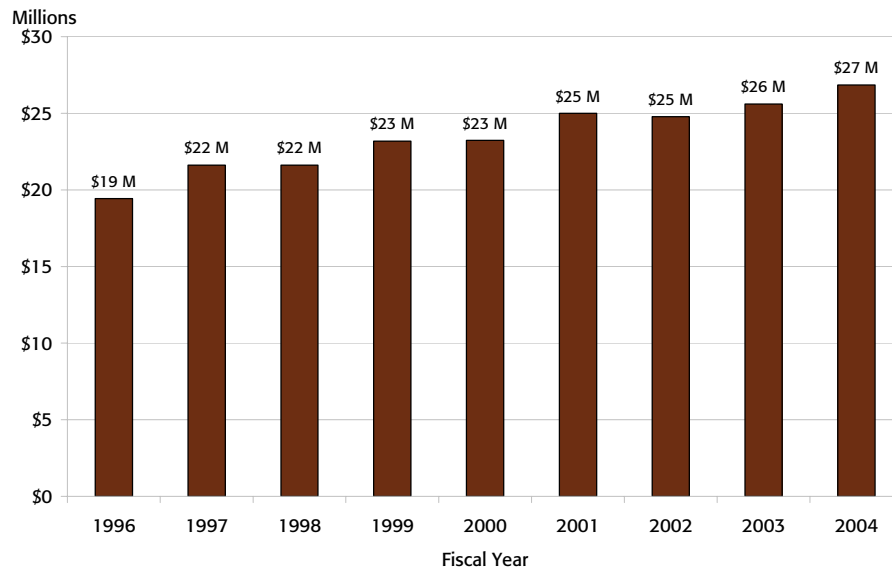
**Solid Waste Tax.** The Solid Waste Tax is administered by the Department of Revenue (DOR), and its proceeds go to the account that supports the PWTF, the Public Works Assistance Account (PWAA). It is considered to be a form of sales tax because customers are liable for it, even though it is collected by the approximately 275 firms that provide solid waste collection services.

As Exhibit D - 2 shows, revenue from the tax has been steadily increasing for the past decade. Revenue is dependent on the price and volume of the service, and on the number of customers. Revenue should increase as a function of the State's continued population growth, so long as solid waste providers increase their prices to keep up with inflation.

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## Exhibit D - 2

### Solid Waste Tax Revenue History: 1996-2004



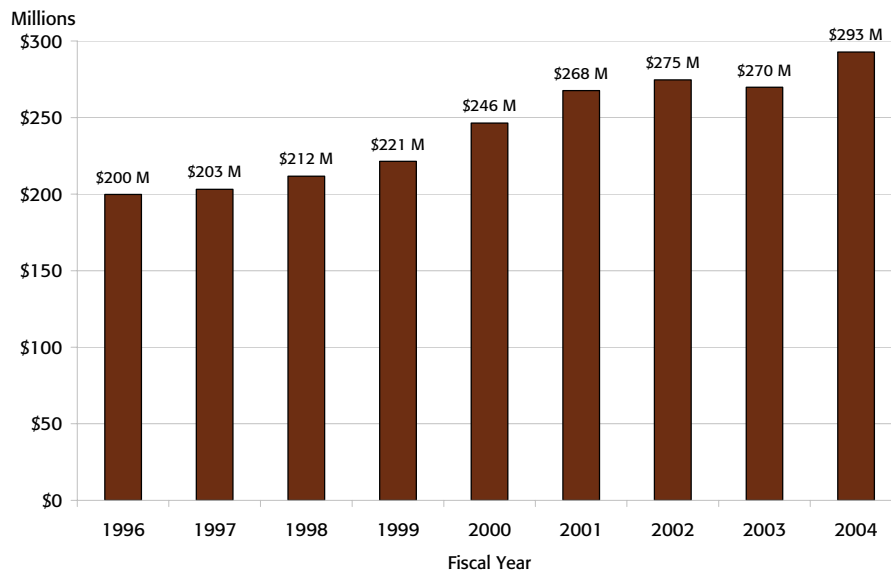
Source: WA DOR and Berk & Associates, 2005

**Public Utility Taxes.** Public Utility Taxes are levied on the gross receipts of providers of utility services in lieu of Business & Occupation (B&O) taxes. Approximately 60% of the total revenue of the Public Utility taxes comes from the tax on the distribution of electricity. Public Utility Taxes on the distribution of water and on the collection of sewage support the PWTF. The current rate for the water tax is 4.7%, while the sewage tax is 3.6%. Both taxes are currently subject to a 7% surtax that raises the rates to 5.029% and 3.852%, respectively. The water tax brings in roughly 12% of the total Public Utility Tax revenue and the sewage tax brings in 3%. See Exhibit D - 3 for the revenue history of the combined Public Utility Taxes.

The PWTF receives a portion of the base rate of these taxes – the surtax portion is not included in the calculation of the amount received by the PWTF. Of the water tax, the PWTF receives 20% of the base 4.7%. Sixty percent of the base sewage tax rate of 3.6% is credited to the PWTF.

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### Exhibit D - 3 Public Utility Tax Revenue History: 1996-2004



Source: WA DOR and Berk & Associates, 2005

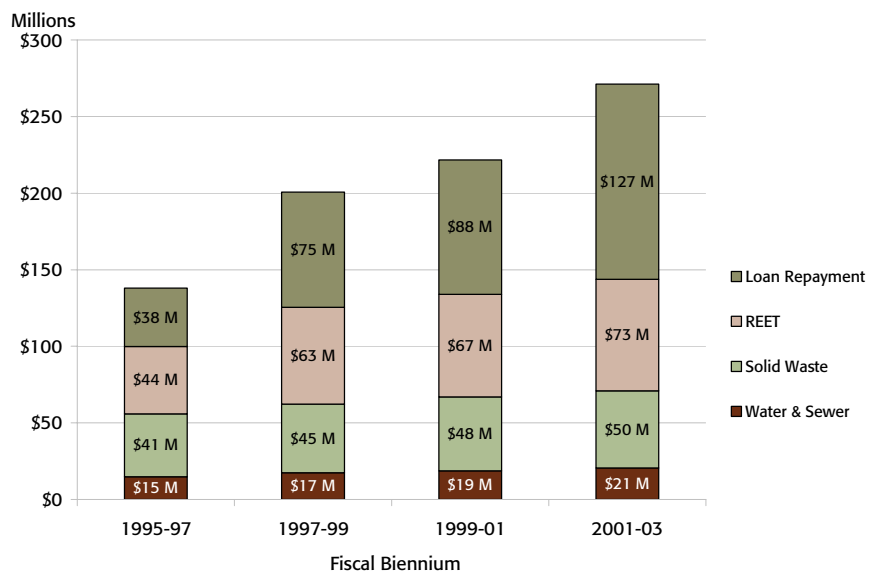
Total collections for all the utility taxes have steadily increased over the past ten years. Revenues are dependent on the number of utility customers, the amount of each utility used, and the utility rates. Population growth continues to increase the number of customers; however, conservation efforts that reduce per capita utility consumption could affect future revenue.

**Real Estate Excise Tax.** See Section 9.1.

**Loan Payments.** The final source of funds supporting the PWTF revolving fund is repayment of the loans it awards. As the program has matured and the total amount of the outstanding loans has increased, so has the amount repaid. Over the past decade, repayment has gone from contributing 28% to 41% of total PWTF funds.

Total funding for the PWTF has steadily increased during this time, driven mostly by the increase in repayments, but also because the other sources of revenue have grown, REET in particular. See Exhibit D - 4 for a breakdown of revenue history by source. As the Exhibit shows, in the 1995-97 biennium loan repayments accounted for 28% of revenue, REET 32%, Solid Waste Tax 30%, and Water & Sewer Taxes combined to make up 11%. In the 2001-03 biennium (the last biennium for which final revenue figures are currently available), loan repayments comprised 47% of revenue, REET 27%, Solid Waste Tax 19%, and Water & Sewer Taxes 8%. In Fiscal Year 2004 repayments did decrease its share relative to REET, but this may be a temporary reversal as the fund's capitalization continues to grow, and the real estate market could slow down, decreasing collections of the REET.

## Exhibit D - 4 Public Works Trust Fund Revenue History: 1995-2003



	1995-97		1997-99		1999-01		2001-03		2004	
Loan Repayment	\$38,269,000	28%	\$75,253,000	37%	\$87,784,000	40%	\$127,417,000	47%	\$59,709,000	41%
REET	\$43,884,000	32%	\$63,242,000	32%	\$66,928,000	30%	\$72,823,000	27%	\$47,404,000	33%
Solid Waste	\$41,058,000	30%	\$44,802,000	22%	\$48,240,000	22%	\$50,389,000	19%	\$26,849,000	18%
Water & Sewer	\$14,842,000	11%	\$17,391,000	9%	\$18,731,000	8%	\$20,559,000	8%	\$11,679,000	8%
<b>Total</b>	<b>\$138,053,000</b>		<b>\$200,688,000</b>		<b>\$221,683,000</b>		<b>\$271,188,000</b>		<b>\$145,641,000</b>	

only 2004 data for 2003-05

Source: WA PWB 2004, WA DOR and Berk & Associates, 2005

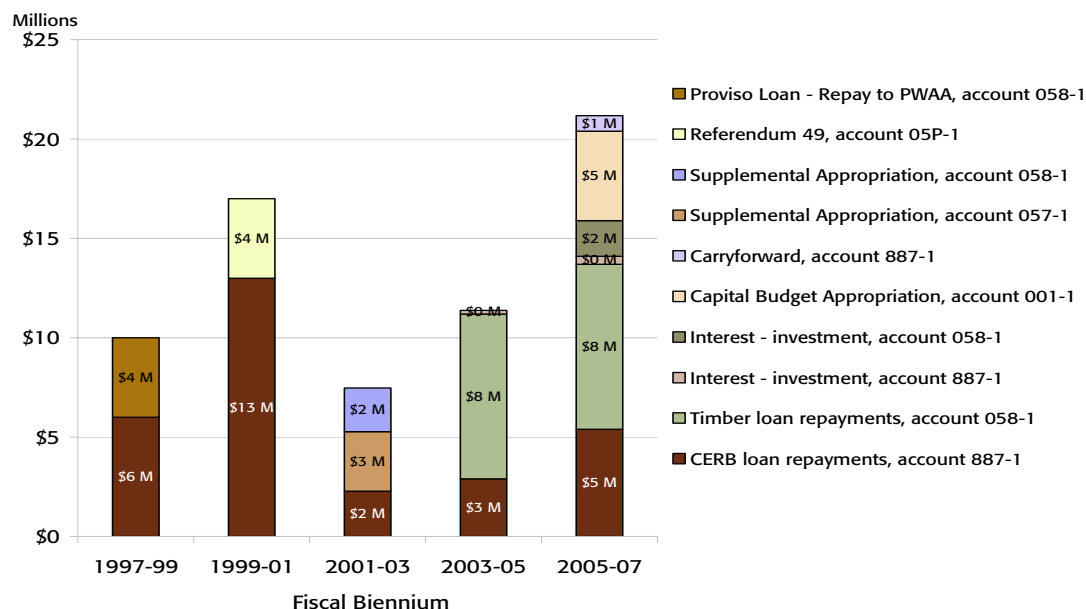
### 3.2 CERB Traditional and Rural Programs

The history of funding for the Community Economic Revitalization Board's (CERB) Traditional Construction Program and Rural County Construction Program is complicated and incomplete. It is complicated because a stable funding source for them has been lacking, leaving the Legislature the challenge of pulling together funds from numerous sources. It is incomplete due to the loss of some financial records during the merger of the Department of Trade and Economic Development (DTED) and the Department of Community Development (DCD), which created the Department of Community, Trade, and Economic Development (CTED).

CERB was authorized in 1982 and funded by the sale of \$20 million of bonds, placed in account *887-1 - Public Facility Construction Loan Revolving Account – State* (the CERB account). It has since received funds from several other sources, most of them transitory. One source is transferred funds that the Legislature has chosen to provide. In recent years transfers have come from both *057-1 - State Building Construction Account – State* and *058-1 - Public Works Assistance Account – State* (PWAA). However, these transfers are not considered stable sources of income for the program. Exhibit D - 6 illustrates the system of funding for the CERB programs and how funds flow into them (here they are treated as a single program referred to as 'CERB').

Another transitory source was the Motor Vehicle Excise Tax (MVET). Referendum 49, passed in 1998, dedicated a portion of MVET revenue to CERB through accounts *05P - Distressed County Public Facilities Construction Loan Account* and *887-1 Public Facility Construction Loan Revolving Account*. This was only available for six months, however, because later that year Initiative 695 was passed which repealed the MVET. When the Initiative was ruled unconstitutional, its intent was enacted through legislation reducing car license fees to a flat \$30. In addition to these various revenue sources, CERB has received other appropriations from the State General Fund.

### Exhibit D - 5 CERB Revenue History: 1997-2007



Source	Account #	1997-99	1999-01	2001-03	2003-05	2005-07
Proviso Loan - Repay to PWAA,	account 058-1	\$4,000,000 40%				
Referendum 49,	account 05P-1		\$4,000,000 24%			
Supplemental Appropriation,	account 058-1			\$2,200,000 29%		
Supplemental Appropriation,	account 057-1			\$3,000,000 40%		
Carryforward,	account 887-1					\$782,772 4%
Capital Budget Appropriation,	account 001-1					\$4,500,000 22%
Interest - investment,	account 058-1					\$1,500,000 7%
Interest - investment,	account 887-1				\$180,000 2%	\$400,000 2%
Timber loan repayments,	account 058-1				\$8,300,000	\$8,300,000 40%
CERB loan repayments,	account 887-1	\$6,000,000 60%	\$13,000,000 76%	\$2,275,000 30%	\$2,900,000 25%	\$5,400,000 26%
<b>Total</b>		<b>\$10,000,000</b>	<b>\$17,000,000</b>	<b>\$7,475,000</b>	<b>\$11,380,000</b>	<b>\$20,882,772</b>

Source: CTED, CERB and Berk & Associates, 2005

The result of this patchwork of funding has been significant swings in total appropriations from biennium to biennium. See Exhibit D - 5 for CERB's recent funding history. As the Exhibit shows, funding has oscillated from \$10 million in 1997-99 to \$17 million in 1999-01, down to a low of \$7.475 million in 2001-03, and back up to an expected \$20.887 million in the 2005-07 biennium.

In addition to variance in appropriations, CERB funding varies with loan repayments. When revenue projections do not meet expectations, the balance in the CERB account may not be sufficient to fund

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what the Legislature appropriated for the program. In such cases, the Board must work with the funds in the account, not with the amount of the appropriation. Note: repayments are not the only sources of CERB revenue for its Traditional and Rural Programs.

In the 2005-07 biennium it is budgeted that one-quarter of CERB's funds will come from the repayment of loans made from the CERB account. It also receives the principal and interest repaid on the Public Works Trust Fund's Timber and Rural Natural Resource loans, per 2002's House Bill 2425. This redirection is only available from 2003 to 2007, but in the 2005-07 biennium it accounts for 40% of CERB's funds. Another source of dedicated funding is interest income. House Bill 2425 redirected interest on funds in the CERB account from the Treasury Income Account, allowing it to remain with CERB starting in FY2005. SB 5363, passed in 2003, gives CERB the interest earned on the Public Works Assistance Account beginning in FY2006, again redirecting it from the Treasury Income Account. In the 2005-07 biennium these two sources will provide about 10% of CERB's funding.

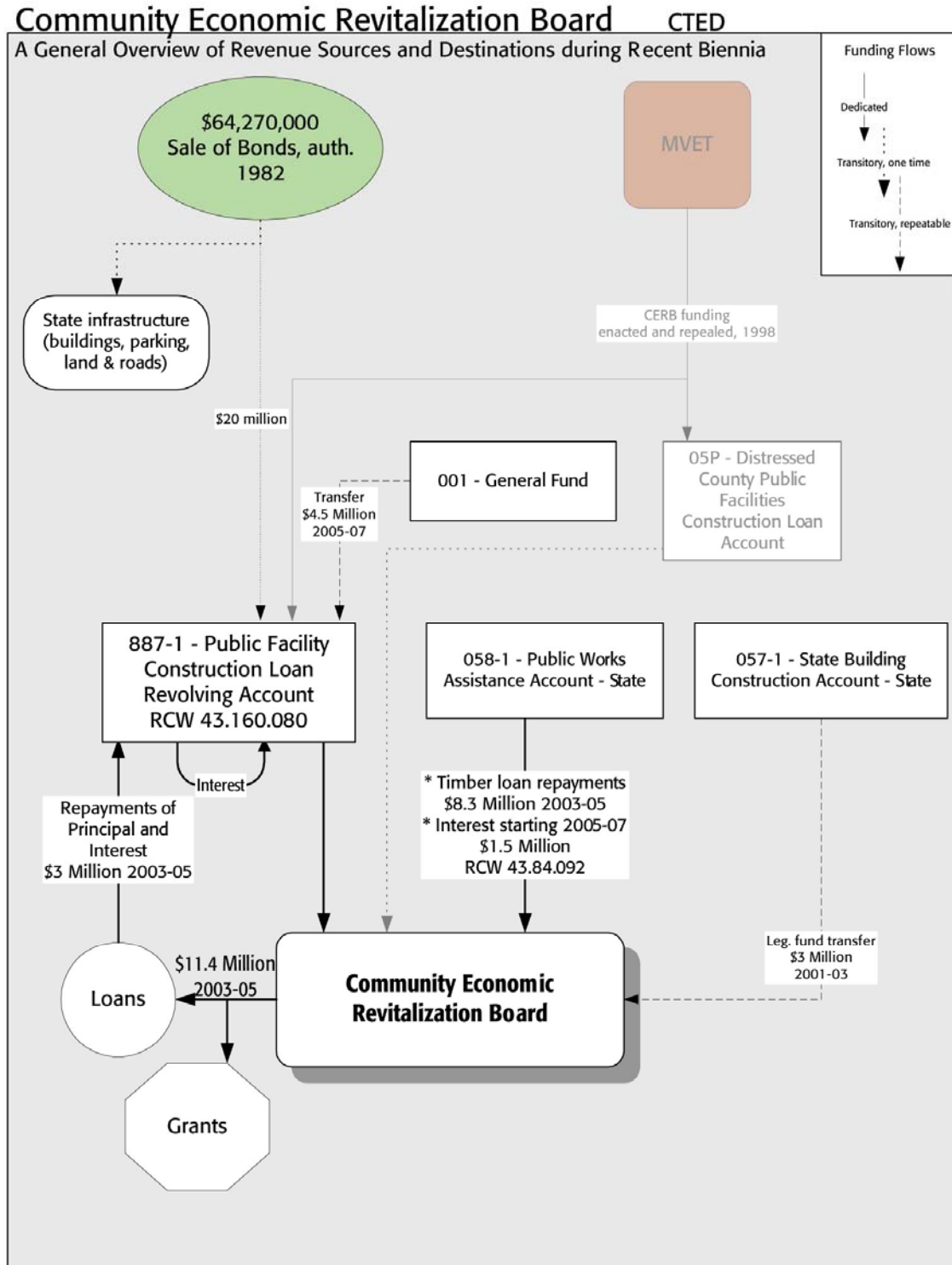
The CERB Board currently has a goal of finding dedicated, long-term funding of \$10 million per year for the Traditional and Rural Programs.

Note: while RCW 43.160.200 authorizes both the creation of account *858 - Economic Development Account of the Public Facilities Construction Loan Revolving Fund* and its use by CTED, it is not known to be used by CERB.



## Exhibit D - 6

### Funding Flows for CERB



Source: Berk & Associates, 2005

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### **3.3 CERB Job Development Fund**

The CERB Job Development Fund was created in 2005 by House Bill 1903. An initial set of 14 Legislature-designated projects will be funded by a direct appropriation from the Public Works Assistance Account in the 2005-7 biennium. The program will be administered by CERB, and funded in the 2007-9 biennium by a \$50 million transfer from the Public Works Assistance Account to the Job Development Fund Account. The CERB Job Development Fund will sunset on June 30, 2011.

See Section 3.1 for the funding sources of the Public Works Assistance Account.

### **3.4 Community Development Block Grant Program**

The Community Development Block Grant (CDBG) program originates from the U.S. Department of Housing and Urban Development (HUD) and is administered by participating states. It uses primarily federal dollars, but does require a State funded match. In Washington the Local Government Division of CTED administers the program. The block grant funds are allocated into seven set-aside funds, including four that make grants for projects that include an infrastructure component. Those four set-asides are for General Purpose Grants, Community Investment Fund Grants, Housing Enhancement Grants, and Imminent Threat Grants. The other programs are Planning-Only Grants, Float-Funded Activity Grants, Section 108 Loan Guarantees, Public Service Grants, and Housing Rehabilitation Grants.

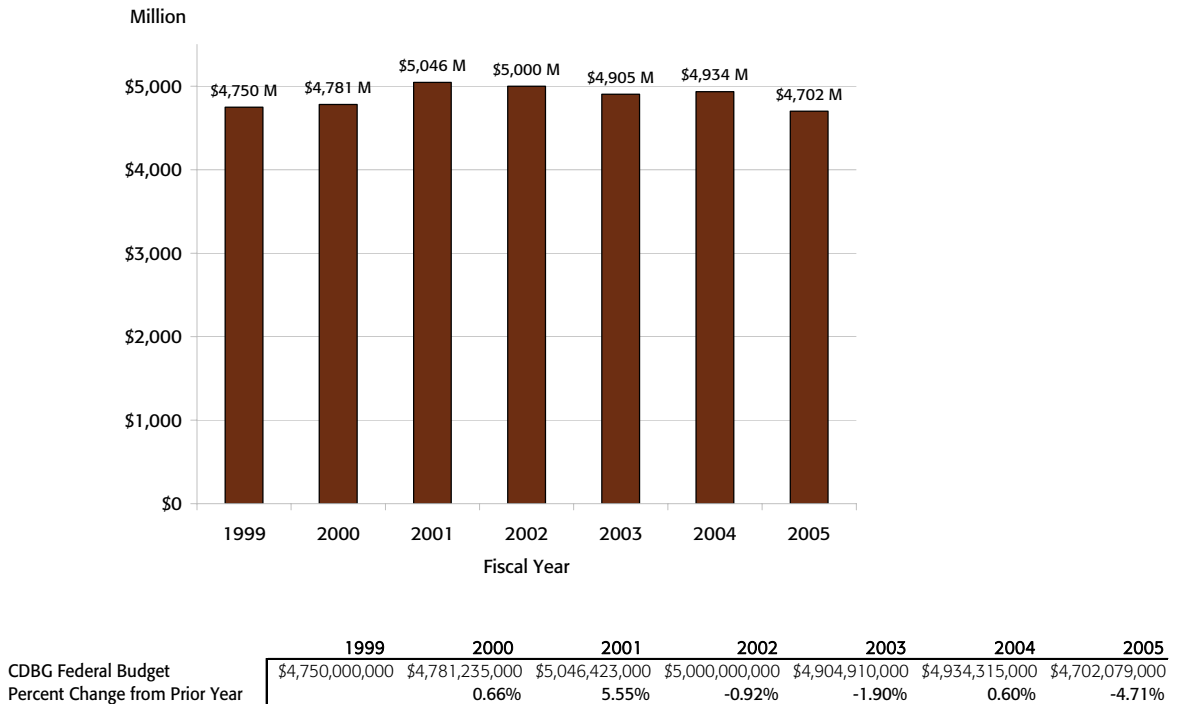
The federal dollars are not appropriated by the Legislature. Money stays with HUD until the state authorizes reimbursement to a grantee for their expenses. Funds then go directly from HUD to the grantee.

Beginning in 2005 there has been a threat to CDBG which has not yet been enacted by Congress. The President's FY 2006 budget proposal did not provide any funds for the program. Instead, it was to be the largest of 18 federal programs rolled into a new program within the Department of Commerce called the "Strengthening America's Communities Initiative." The budget proposed funding this new program at approximately two-thirds of what the 18 programs had previously totaled. Congress has not yet enacted the President's plan. The Department of Commerce instead created the Strengthening America's Communities Advisory Committee to report on current development policy and recommend new priorities and solutions. A report issued by the Committee in July 2005 supports the President's plan. It appears that the proposal will continue to be supported by the Department of Commerce.

Exhibit D - 7 shows that even without accounting for inflation the 2005 budget is smaller than the budget in 1999. For FY 2006 CDBG has reportedly received a budget cut of 4% from FY 2005, but could this not be confirmed.

## Exhibit D - 7

### CDBG Total Federal Budget: 1999-2005



Source: HUD and Berk & Associates, 2005

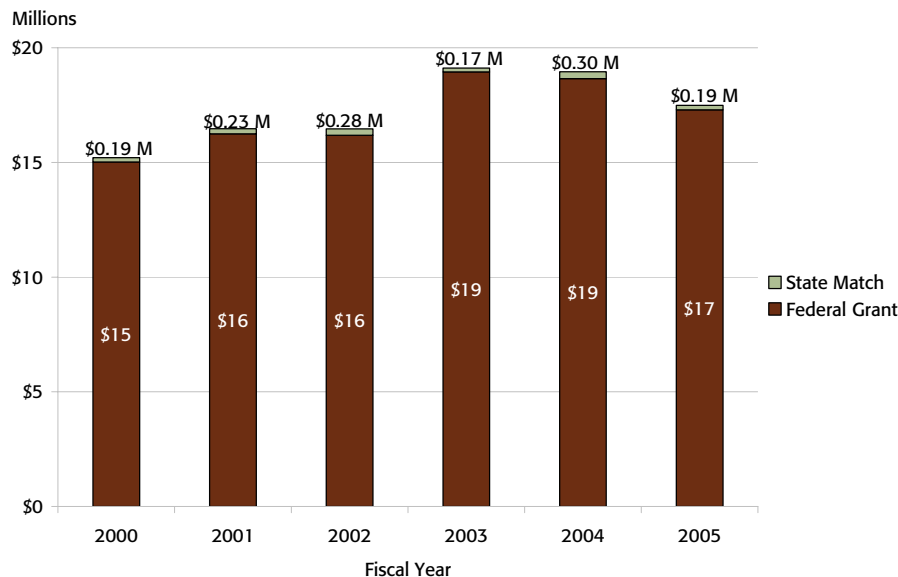
According to the federal rules for the program, 2% of federal funds can be used by states to administer the program. This 2% must be matched with state funds. Another \$100,000 of federal dollars can also go toward administration which does not require a match. One percent may be used for Technical Assistance to loan recipients, and this also does not require a state match.

The State of Washington's contribution is used solely for administrative purposes. The State General Fund has been the source of about \$150,000 per year, which does not fully meet the required 2% match or the amount that it actually cost to administer the program, currently about \$1.2 million. In past years CDBG was sometimes given other agencies' unspent money at the end of each fiscal year, but this practice has been discontinued.

Today, the difference is made up through 'soft funding' and carryover of funds even though the match is supposed to be in new, hard dollars. With soft funding, CDBG enters into agreements with other departments in which Full Time Equivalent positions are counted toward the CDBG State match. One example of this was an agreement with the Housing Department wherein staff for joint projects was counted toward the CDBG match for several years, ending in 2002. The Public Works Board has also participated. This soft funding has upped the State match to between \$167,000 and \$300,000 during the past six years, averaging about \$225,000, as Exhibit D - 8 shows. CDBG anticipates a shortfall of \$500,000 for FY 2007, and is working with OFM to correct the issue.

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### Exhibit D - 8 Washington CDBG Revenue: 2000-2005



Source: CTED and Berk & Associates, 2005

The recent stagnation in funding has had an impact on the program in Washington State. Over the past six years the federal grant to Washington State has been between \$15 and \$19 million per year, averaging \$17 million. The largest change to the federal portion was a 17% percent increase in 2003 over 2002, while the largest decrease was -7% from 2004 to 2005. Program staff report that when funding does not increase to match inflation, the amount available for administration decreases relative to the cost of staffing the program.

In addition, cutting funds decreases either the average size of grants or the number of grants that can be awarded. CDBG staff report that there has been no clear trend as to which of these strategies are used by Washington's program.

Of the federal grant, an amount similar in scale to the total State contribution is set aside each year for Imminent Threat Grants. The funds are awarded in response to emergencies, so the yearly award amount is inconsistent. In the event that all of the set-aside funds are used, the program's funds may be replenished through transfers from the CDBG Contingency Fund. This fund is a holding account for granted money that, for various reasons, went unused.

HUD allows CDBG funds that have been allocated, but not yet spent, to be used for short-term loans, called Float Loans. This allows funds to be used productively while waiting to be used by grantees. CTED's Economic Development Division administers the CDBG Economic Development Float Loan program, and the EDD keeps the interest from the loans to pay for loan administration. CDBG staff manage another float loan program that provides certain projects interim financing until they reach a phase that allows the federal partner, USDA Rural Development, to disburse funds.

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## **4.0 DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT, AND DEPARTMENT OF HEALTH (JOINTLY ADMINISTERED)**

### **4.1 Drinking Water State Revolving Fund**

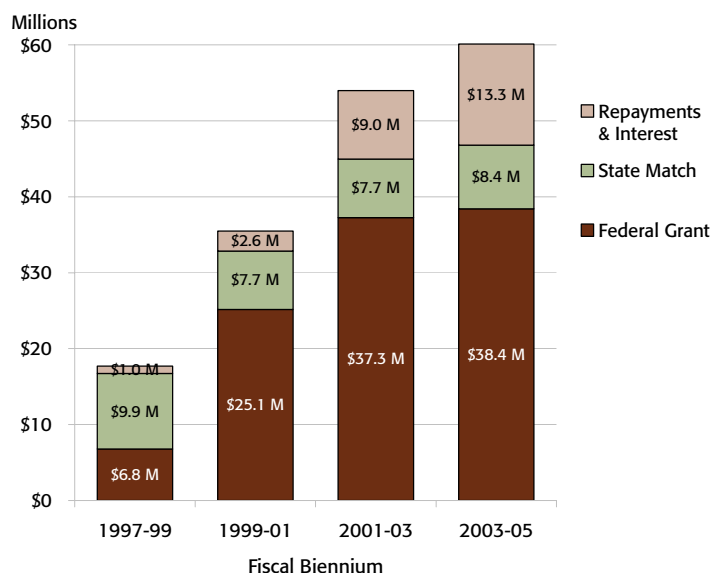
The Drinking Water State Revolving Fund is a federal grant program with a State match. It was created by an amendment to the federal Safe Drinking Water Act in 1996, and subsequently authorized in the State of Washington in 1997. The program authorized the Environmental Protection Agency (EPA) to make grants to states to set up revolving loan funds that will exist in perpetuity to help communities, particularly small communities, provide safe drinking water.

The program was initially to be funded for seven years; however an eighth year has been funded, and Congress may choose to extend it further. Because loans through the program are for terms of up to 20 years, the program would need to be funded for at least this long in order to establish a flow of loan repayments that can fully support the program.

Washington receives about \$20 million per year from the federal government through the EPA's Drinking Water State Revolving Fund. The State is required to match 20%. To date, Washington has received over \$150 million from the federal fund, and has contributed a match of slightly more than \$34 million. The State has funded the required capital match through the Public Works Assistance Account. The set-aside of 4% for program administration has been split between the Department of Health and CTED.

See Exhibit D - 9 for the program's revenue history. The fund is to be maintained by the repayment of principal and interest into the program's account, and the Exhibit demonstrates that repayments are beginning to provide a significant percentage of the program's funds. There is a provision for loans to be forgiven in cases of hardship, but so far Washington has not been required to utilize this provision.

## Exhibit D - 9 Drinking Water State Revolving Fund Revenue: 1999-2007



Source: WA Public OFM and Berk & Associates, 2005

Until at least 2003, states were allowed to transfer up to 33% of their federal dollars from their Clean Water State Revolving Fund (in this State called the Water Pollution Control Revolving Fund) to their Drinking Water State Revolving Fund, and the other way around, as needed to fund the types of projects most critical to the State. Washington had not chosen to do so as of 2003.

Up to 31% of grant funds may be used for 'set-aside' projects. There are several categories of set-asides allowed under the program. These are projects such as technical assistance and public outreach that contribute to the provision of safe drinking water, but are not infrastructure projects. These set-asides are grants, and can pay for operations. Up to 10% can be used for program management purposes by the State, but this must be matched 1:1 by the State.

In FY 2005 Congress decreased the total allocation to the fund by 0.8%, from \$850 million to \$843.2 million. The tentative allotment for FY 2006 is \$835 million. Washington's portion will decrease from about \$20 million to about \$18 million under this level of funding.

### 4.2 Water System Acquisition and Rehabilitation Program

The Water System Acquisition and Rehabilitation Program was created and funded through a line-item appropriation in the 2003-05 State budget. Funds were transferred from the State General Fund to the State Building Construction Account to be used for grants. The appropriation included the requirement that the grant program be administered in the same manner as the Drinking Water State Revolving Fund, in that the Department of Health, the Public Works Board, and the Department of Community, Trade and Economic Development must jointly administer the program.

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For 2003-05, the Legislature provided \$4 million for the program as a one-time appropriation. The 2005-07 budget extended the program with a second appropriation of \$2 million.

## **5.0 DEPARTMENT OF ECOLOGY**

### **5.1 Coordinated Prevention Grant Program**

The Coordinated Prevention Grant Program (CPGP) is funded solely through the Local Toxics Control Account (LCTA), which receives over half of the revenues from the Hazardous Substances Tax, described in 9.3. The tax and the account were created by the Model Toxics Control Act (MCTA). The grant program was created by administrative rule to fulfill the mandates of the MCTA.

The purpose of the CPGP is to consolidate into a single program all grant programs funded from the LCTA, except for three grant categories: Remedial Action grants, Public Participation grants, and Citizen Proponent Negotiations grants.

The program typically receives an appropriation of around \$16 million per biennium.

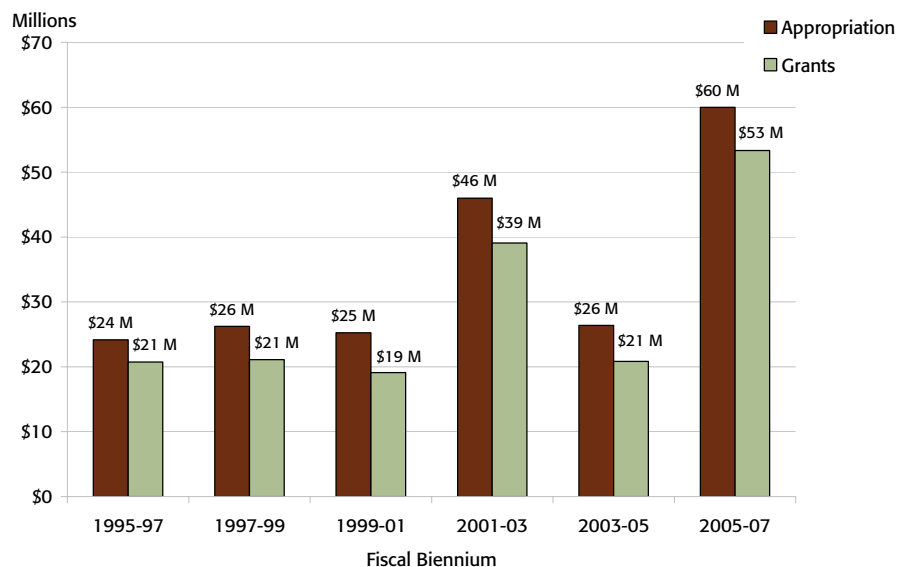
### **5.2 Safe Drinking Water Action Grants**

The Safe Drinking Water Action Grant (SDWA) is one category of grant issued by the Remedial Action Grant program (RA). This category of grant was created by administrative rule in 1990 under the authority of the MCTA. Funding for all Remedial Action Grant categories comes solely from the Local Toxics Control Account. Allocations of funds to the various categories of RA grants are made by Department of Ecology (DOE) staff. See Exhibit D - 10 for the program's history of appropriations and grant awards.

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## Exhibit D - 10

### Remedial Action Grant Program, Appropriation and Grants: 1995-2007



Source: WA DOE and Berk & Associates, 2005

SDWA grants are a joint program of the DOE and the Department of Health (DOH). Funding comes through DOE via the LCTA, and DOE also administers the grants. DOH identifies which sites to consider for grants, and provides technical oversight regarding water quality standards.

SDWA is considered a small program within the Remedial Action Grant program. Nine grants totaling \$6.5 million have been awarded over the life of the SDWA program, of which \$4.7 million went to one project by the City of Centralia.

### 5.3 Water Infrastructure Program

The Water Infrastructure Program was created in 2004 when 11 projects totaling \$5.8 million were identified by the Governor and funded by the Legislature through a budget proviso. The projects are to be administered by the Water Resources Program within the DOE. For future biennia the WRP will develop a competitive grant process. Twelve million dollars is available to be awarded during 2005-07.

In 2004 funds for the 11 projects were appropriated from three existing accounts: *072-1 - State and Local Improvements Revolving - Water Supply Facilities*, which is primarily the source of funds for the Referendum 38 program (see Section 5.5); *139-1 - Water Quality Account*, which is discussed in Section 5.6; and *057-1 - State Building Construction Account*, from which the WRP will continue to request funding for WIP projects.



## 5.4 Drought Preparedness

The account *05W-1 – State Drought Preparedness Account* was established in 1999 in an effort to be pro-active regarding drought-mitigation. Infrastructure funding related to drought mitigation had previously come from account *032-1 - State Emergency Water Projects Revolving Account*, established in 1977. The Revolving account was funded by \$18 million in General Obligation Bonds. Funds in the account may only be used during a governor-declared drought emergency, while funds in the Preparedness account may be used at any time, offering the opportunity to fund projects that will preempt water shortages.

When the Preparedness account was created, it received a transfer of \$9 million from the Revolving account, leaving only about \$500,000 behind. The latter still receives about \$95,000 per year from the repayment of loans, which will continue through 2011. The small amount left in the account is used to hire staff during drought emergencies to process drought relief applications. The Preparedness account also receives a small amount of income from repayment of loans, about \$25,000 per year. See Exhibit D - 11 for the revenue and expenditure history of these two accounts.

### Exhibit D - 11 Drought Preparedness Accounts: 1997-2005

State Emergency Water Projects Revolving Account (Fund 032)						
	Capital Expenditures	Operating Expenditures	Total Expenditures	Loan Principal and Interest Repayment	Bond Sales	Total Revenue
1997-99	-	-	-	\$172,656	-	\$172,656
1999-01	-	\$268,920	\$268,920	\$184,887	-	\$184,887
2001-03	-	\$505,894	\$505,894	\$87,428	-	\$87,428
2003-05	-	\$296,101	\$296,101	\$149,744	-	\$149,744

Drought Preparedness Account (Fund 05W)						
	Capital Expenditures	Operating Expenditures	Total Expenditures	Loan Principal and Interest Repayment	Transfer from Other Funds	Total Revenue
1997-99	-	-	-	-	-	-
1999-01	\$486,615	\$42,909	\$529,524	-	-	-
2001-03	\$2,930,272	\$1,398,993	\$4,329,265	\$8,727	-	\$8,727
2003-05	\$2,268,324	\$1,755,077	\$4,023,401	\$42,953	\$8,200,000	\$8,242,953

Source: WA DOE and Berk & Associates, 2005

Nearly all of the funds in the Preparedness account had been spent by the end of 2004. When the Governor declared a drought in 2005, the Legislature transferred \$8.2 million to the Preparedness account to use for drought mitigation. The funds came from account *355-1 - State Taxable Building Construction Account*. In addition, the Revolving account received an appropriation of \$750,000 for 2005, to be transferred from the State General Fund.

Both of these accounts are essentially depleted and do not have on-going, dedicated funding sources aside from the loan repayments. The Water Resources Administration and Funding Task Force, created by the Legislature in 2004, reported in December of that year that the Department of Ecology is looking for other sources to fund drought preparedness, and that DOE's suggested source is the Water Quality Account.

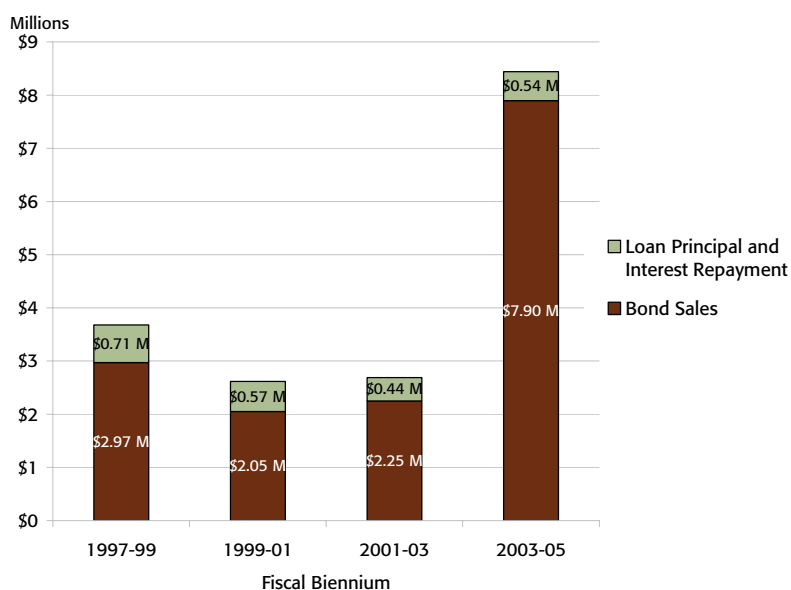
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## 5.5 Referendum 38

Referendum 38 was passed by Washington voters in 1980. It authorized the sale of \$125 million of General Obligation Bonds to help furnish “an adequate supply of water for domestic, industrial, agricultural, municipal, fishery, recreational, and other beneficial uses (RCW 43.99E.010).” It dictated that \$75 million of the funds raised would be administered by the Department of Health and be spent on public water supply systems. These funds have been completely spent. The other \$50 million would be administered by the Department of Ecology and be used for agricultural water supply facilities. The DOE’s portion of Referendum 38 dollars are administered by the Water Resources Program.

The bonds are repaid by transfers from the State General Fund.

**Exhibit D - 12**  
**Referendum 38 Account Revenue, by Source: 1997-2005**



Source: WA DOE and Berk & Associates, 2005

Of the \$50 million originally authorized to be raised for the projects administered by Ecology, there is still between \$15 and \$20 million dollars of bond-sale authority remaining. Bonds are sold as needed to provide funds for the program, keeping an average of about \$750,000 in the program’s account. See Exhibit D - 12 for the history of bond sales and loan repayment. Signed agreements have been made that commit Referendum 38 funds from now until 2013. These commitments allocate essentially all of the remaining bond-sale authority. The program does not anticipate funding any new projects unless money is de-obligated through the failure of one or more project. In response to this lack of anticipated activity, program staffing has been reduced to 1.5 FTE.

One additional source of approximately \$100,000 per year for the program is the repayment of about half a dozen loans. While most of the projects funded through the program received grants, a small number of loans have been made.

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Interest earned on the balance of funds in the program's account reverts to the treasury income account and is not available to the program.

While the DOE established rules for allocating funds (WAC 173-170), there have been instances when the Legislature has used budget provisos to direct Referendum 38 bond sale proceeds to particular projects without requiring them to go through the normal application process, or to authorize funding that exceeds the \$2.5 million per-project limit set by administrative rule. For example, in the 2003-05 biennium \$4 million was earmarked to study water storage within the Yakima Valley. Funds from bond sales have also been given to the State Conservation Commission to support local Conservation District water conservation efforts, and to fund Water Conveyance Improvement grants.

The Water Resources Administration and Funding Task Force report of December 2004 notes that new sources of revenue will have to be found to continue funding the types of projects currently supported by this program. In addition, the Yakima Enhancement Project, a joint project with the Bureau of Reclamation and local sources, has State funding commitments from this account that will not be met by the remaining bond authority.

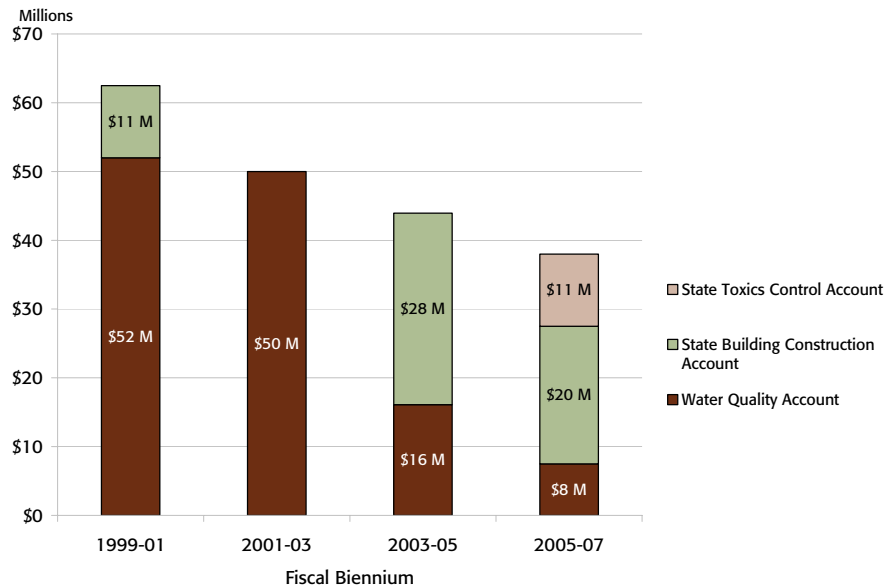
## **5.6 Centennial Clean Water Fund**

The Centennial Clean Water Fund (CCWF) is funded by several dedicated sources. Its primary source is account *139-1 - Water Quality Account (State)*. This account receives funds from several excise taxes, and it provides funds to other programs in addition to the CCWF. Exhibit D - 13 details recent CCWF revenue history, and Exhibit D - 16 illustrates the flow of funding for the program.

The CCWF has been funded primarily through State excise tax on cigarettes and tobacco products. The account receives the following:

- 4 mills per cigarette, RCW 82.24.027
- 1.7 % of 30 mills per cigarette, RCW 82.24.026
- 16 <sup>3</sup>/<sub>4</sub>% of the 129.42% tax on the wholesale price of tobacco products sold, used, consumed, handled, or distributed, RCW 82.26.025 [repealed as of 7/1/2005 by SB 6097, 2005]
- 13% of the 75% tax on the taxable sale price of cigars and other tobacco products, RCW 82.26.020 [from 7/1/2005 to 7/1/2021, per SB 6097, 2005]

### Exhibit D - 13 Centennial Clean Water Fund Revenue History: 1999-2007



Source: WA DOE and Berk & Associates, 2005

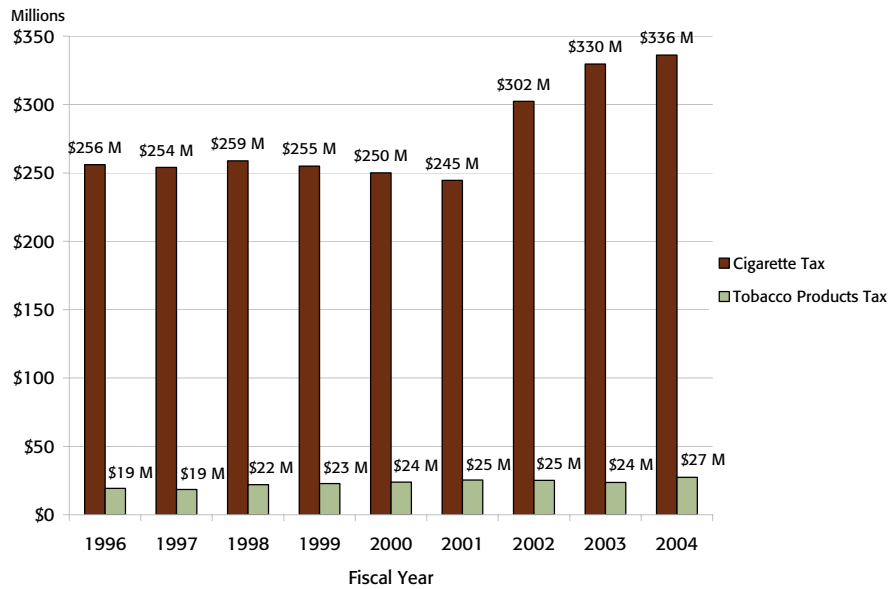
The account also receives any sales tax collected on construction material used to build facilities funded by the account, and the principal and interest from repayment of loans made from the account. However, the program received only about \$38 from these sources for the 2005-07 biennium.

In addition, the CCWF has received funds from the sale of bonds, passed through account *057-1 – State Building Construction Account*. The Legislature has also provided several one-time transfers. For example, in the 1999-01 biennium, Ecology received \$10 million from the Public Works Assistance Account to fund special grants to small communities.

Even though both the price of and the State tax rate on cigarettes has continued to increase since the program began in 1987, the amount going to the Water Quality Account has decreased. The main reason for this is the decline in the rate of smoking among the State's citizens. Fewer cigarettes are being sold, and since this program's share of tax is calculated per cigarette, less tax is coming into the account.

The most recent increase in the cigarette tax rate came in 2002, when the tax per pack went from \$0.825 to \$1.425. This increase offset declines in tax revenue from the declining number of cigarettes sold, but did not change the portion going to the Water Quality Account (see Exhibit D - 14). The Tobacco Products Tax, which provides a portion of the Water Quality Account funds, was reduced from 129.42% to 75% on July 1, 2005, and the portion of this tax going to the Water Quality Account was reduced from 16 <sup>3</sup>/<sub>4</sub> % to 13%. Use of tobacco is expected to continue to decrease, further decreasing revenue to the Water Quality Account.

## Exhibit D - 14 Tobacco Taxes Revenue History: 1996-2004



Source: WA DOR and Berk & Associates, 2005

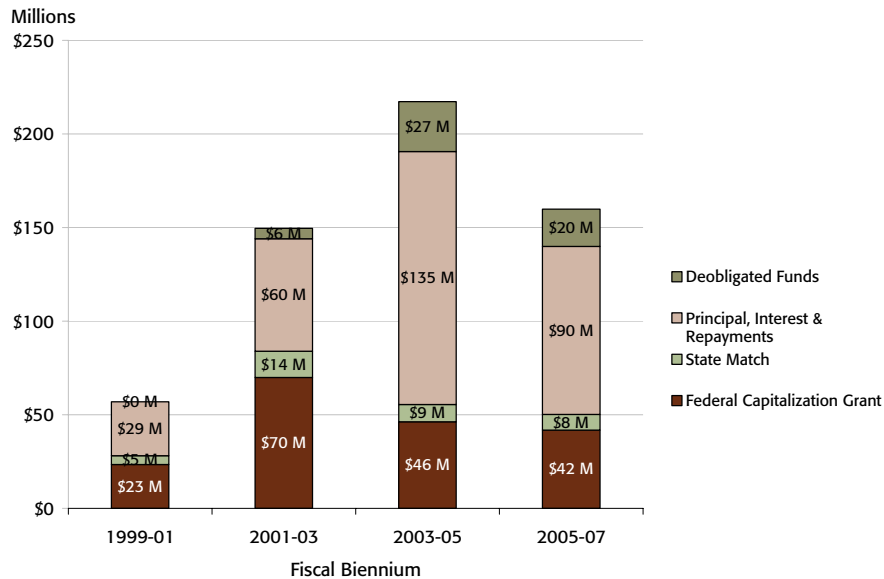
The original intent was that the program would receive \$90 million per biennium, all from cigarette taxes. If tax receipts were short of that, the Legislature was to make up the shortfall from the State General Fund. At the present time, however, the program receives about \$38 million per biennium.

### 5.7 Water Pollution Control Revolving Fund

The Water Pollution Control Revolving Fund (WPCRF) was established in 1988 in order for the State to participate in capital loan programs authorized under the federal Water Quality Act of 1987. The fund is capitalized from both state and federal sources. Eighty percent of new funds come to the state from EPA federal capitalized grants that are based on Congressional appropriations. The State is required to make a match of 20%, and it does so by using funds from the Water Quality Account (see Section 5.6 for discussion of the Water Quality Account). The Water Quality Act of 1987 originally established the WPCRF through 1994. However, Congress elected to continue the Fund. Currently, the President's proposed budget aims to discontinue the Fund in 2011. See Exhibit D - 15 for the revenue history of the fund and Exhibit D - 16 for an illustration of its flow of funds.

## Exhibit D - 15

### Water Pollution Control Revolving Fund Revenue History: 1999-2007



Source: WA DOE and Berk & Associates, 2005

Note: The large value for Principal, Interest & Repayment in the 2003-05 biennium stems from one large loan being paid off early when it was refinanced by a different loan program.

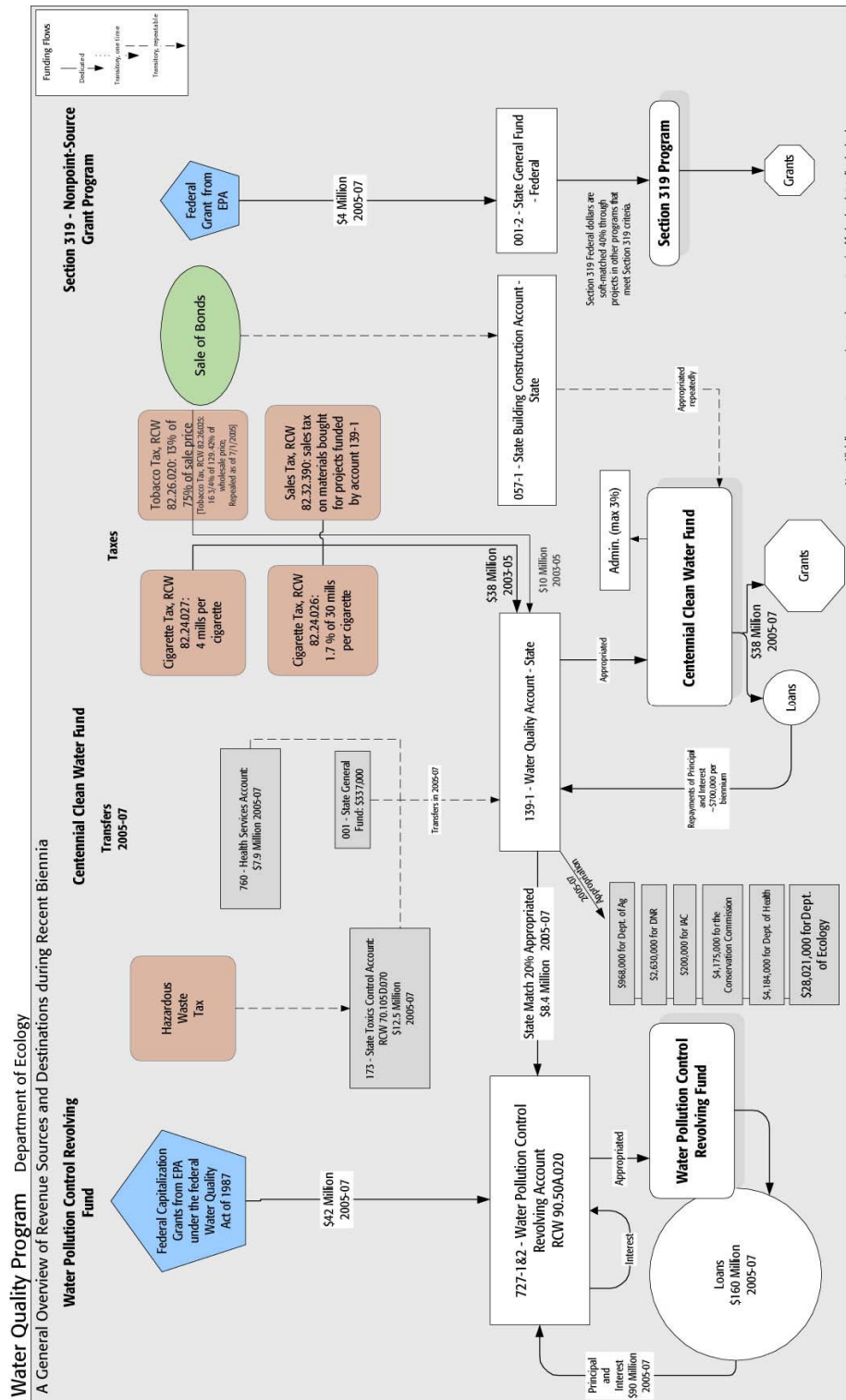
The WPCRF is a reimbursable program based on actual costs incurred. The loan repayment term is a maximum of 20 years. The program is not allowed to make grants, and all loans provided must have an interest rate that is below market rate. Loans are made to public bodies, which must “establish and maintain a dedicated source of revenue or other acceptable source of revenue for the repayment of the loan (RCW 90.50A.050 (3)).” This is to ensure the stability of the revolving fund and ensure it remains viable in the future.

Federal rules for the WPCRF require that the State keep all principal repayments and interest earned in the WPCRF Account.

## 5.8 Section 319 – Clean Water Act

The Federal Clean Water Act Section 319 Nonpoint-Source Grant Program receives funds from an EPA grant, which is funded through the federal General Fund. For FY 2006 the program has \$1.9 million to fund programs in Washington. An illustration of the flow of funds for the program is included in Exhibit D - 16.

**Exhibit D - 16**



Source: Berk & Associates, 2005

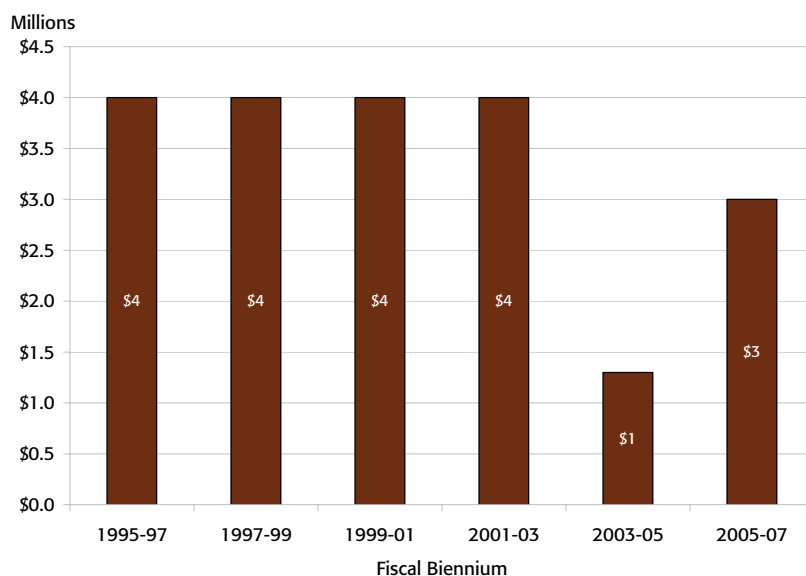
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## 5.9 Flood Control Assistance Account Program

The Flood Control Assistance Account Program (FCAAP) was created in 1984, but is similar to the Flood Control Maintenance Program which was sporadically funded between 1951 and the mid-1970's. FCAAP is funded entirely by transfers from the State General Fund, as authorized by statute and appropriated by the Legislature. The 1984 law authorizing the program included the provision that the program was to receive \$4 million per biennium. It did so until the 2003-05 biennium when the Legislature rescinded part of the biennial funding due to statewide budget constraints. After allocating the usual \$4 million, \$2.7 million was later transferred back to the State General Fund. Funding was also cut by \$1 million for 2005-07 (see Exhibit D - 17).

It is not known if the Legislature will continue to amend the authorizing statute and decrease the amount of funds provided to the program. The lack of a dedicated source of funding places the program at risk for spending cuts when general revenues are down.

**Exhibit D - 17**  
**Flood Control Assistance Account Program Revenue History: 1995-2007**



Source: WA DOE and Berk & Associates, 2005

## 6.0 INTERAGENCY COMMITTEE FOR OUTDOOR RECREATION

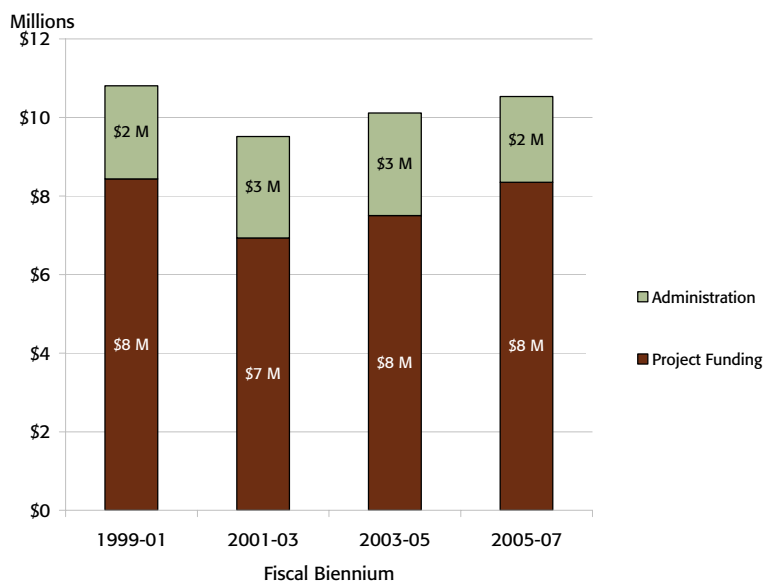
### 6.1 Boating Facilities Program

The Boating Facilities Program (BFP) is a grant program administered by the Interagency Committee for Outdoor Recreation (IAC) and funded solely by unclaimed State gas tax on marine fuel. The BFP has received funds from this source since the program was created by a voter-approved initiative in 1964. Its receipts are affected both by the amount of gas tax collected, and by the amount of tax on marine fuel that goes unclaimed each year. Recently the program's funding has remained stable at



around \$10 million per biennium (see Exhibit D - 18). It is expected that the decrease in gas tax collection in 2005 will have a negative impact on the program's revenue.

### Exhibit D - 18 Boating Facilities Program Revenue, by Expenditure: 1999-2007



Source: IAC and Berk & Associates, 2005

Note: several of the other IAC programs administer grants whose funds that are not allowed to be used for administrative purposes, or at least not an amount sufficient to cover the total cost of running the program. Funds in the account which receives the fuel refund, *267-1 – Recreation Resources Account (State)*, may be used by IAC for administrative purposes, per RCW 79A.25.080. The BFP has been used as an auxiliary source of administration for many of the other IAC programs. The result is that the BFP appears to spend a quarter of its revenue on administration, while in fact some of those dollars are being used to administer other programs.

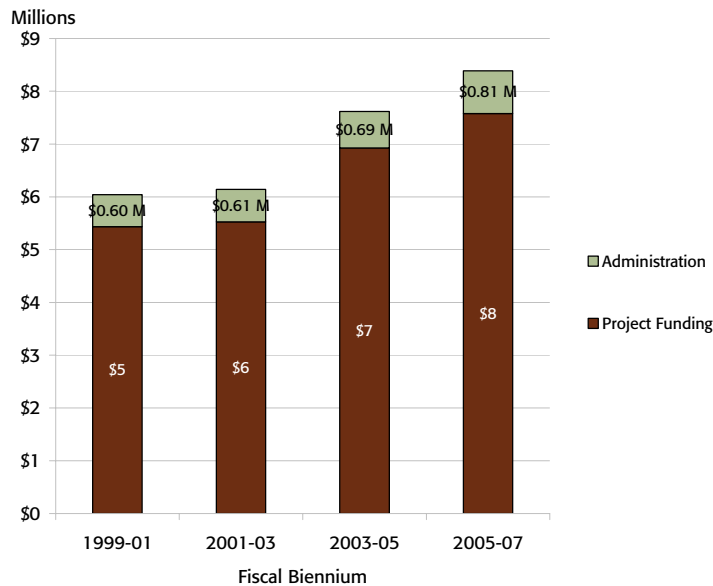
## 6.2 Nonhighway and Off-Road Vehicle Activities Program

Motor Vehicle Fuel Tax collected on off-road vehicles is distributed to several programs that fund recreational activities and facilities. The Nonhighway and Off-Road Vehicle Activities Program (NOVA) receives 58.5% of the 1% of the gas tax distributed to those programs.

NOVA has one other dedicated source of funds. The owner of an off-road vehicle (ORV) is required to purchase and display a use permit for the vehicle. The permit is good for one year and costs \$18 whether for a new permit or a renewal. The license program is administered by the Department of Licensing, which is authorized to retain a portion of the fee to cover the administration of the permit program. Any permit fee money remaining is distributed to the NOVA program.

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**Exhibit D - 19**  
**Nonhighway and Off-Road Vehicle Activities**  
**Program Revenue, by Expenditure: 1999-2007**

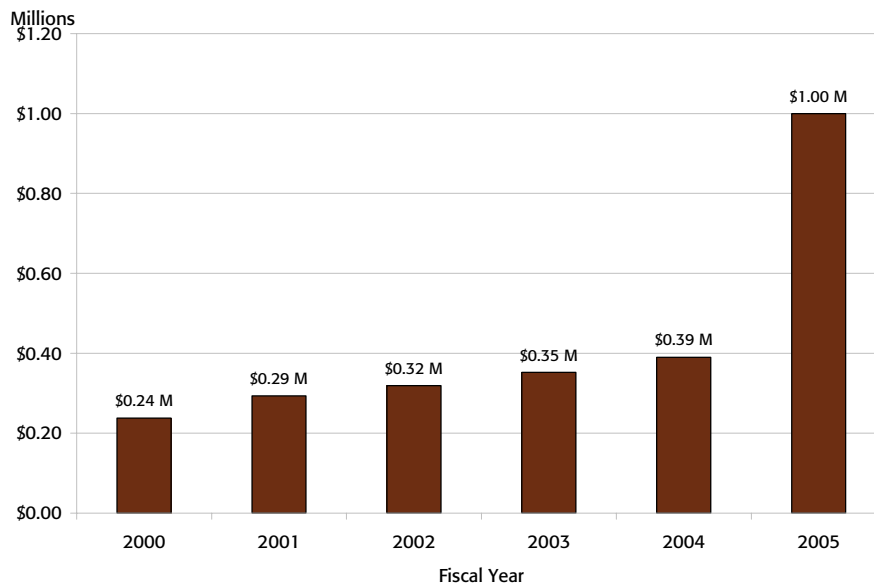


Source: IAC and Berk & Associates, 2005

Total funds for the NOVA program have been trending up for the past four biennia, as Exhibit D - 19 shows. This is the result of several causes. There has been an increase in gas tax collections over the past several years (see Exhibit D - 26), with a commensurate increase in the amount going to NOVA. There has been an increase in the number of Off-Road Vehicle permits issued, and in 2005 there was an increase in the ORV permit fees. The annual permit fee increased from \$5.00 to \$18.00, and temporary permits increased from \$2.00 to \$7.50. This has led to a near tripling in revenue from this source over the previous year (see Exhibit D - 20). Prior to this, revenue from ORV permits had been steady at about 10% of the program's income; it now contributes over one third of the program's income. While this year's increase in gasoline prices may have an impact on the number of ORV's licensed, the impact to NOVA is expected to be small and more than compensated for by the fee increase.

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**Exhibit D - 20**  
**NOVA's Revenue from Off-Road Vehicle Permit Fees: 2000-2005**



Source: IAC and Berk & Associates, 2005

### **6.3 Youth Athletic Facilities Program**

In a special election paid for by Paul Allen, voters approved Referendum 48 in 1997. The referendum authorized the sale of \$300 million in General Obligation Bonds to fund a new football stadium in Seattle. An incentive for approving the measure was a provision that a 'team affiliate' of the Seattle Seahawks (Paul Allen) would give the State \$10 million to establish a program for building athletic facilities. The Youth Athletic Facilities Program (YAF) was established within IAC to administer the program.

In addition to the \$10 million gift, the Referendum provided two other sources of income for the YAF. The first of these is the interest earned on the balance of funds in the program account. This source has so far brought in nearly \$1 million. The second source is any excess from the revenue raised to pay off the bonds. The sources of this revenue are:

- County sales tax of 0.016 percent
- County-levied stadium ticket-tax of not more than 10%
- County-levied stadium parking tax of not more than 10%
- Lottery funds: \$6 million in 1998, plus 4% increase per year until bonds are paid off

It is expected that the taxes collected will not exceed what is needed for debt retirement for many years.

The YAF has had two rounds of grants to date. All of the initial \$10 million was allocated in the first round. A second round was made possible by a combination of the interest earned by the account, and funds that became unencumbered due to some first-round projects not being brought to completion. At the present time the account balance is drawn down to where additional interest

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income will not be sufficient to fund another round of grants. The program needs to have a minimum of \$2 million available in order to conduct an effective round of grants. It is not known when that amount will again be available, so the program is on hold for the foreseeable future.

## **6.4 Boating Infrastructure Grant Program**

The Boating Infrastructure Grant Program (BIG) was previously funded by the Federal Aquatic Resources Trust Fund. In 2005 this fund was replaced by the Sport Fish Restoration and Boating Trust Fund. The Fund is administered by the U.S. Fish & Wildlife Service but its money comes primarily through federal gas tax on boat and small engine fuel. The Transportation Equity Act for the 21st Century (TEA-21), passed in 1998, increased the amount of gas tax going into the Aquatic Resources Trust Fund. That same year Congress passed the Sport Fishing and Boating Safety Act of 1998, which created the BIG grant program. It was initially funded at a total of \$32 million to be granted over four years. A new transportation act, passed in 2005, called the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), reauthorized BIG and other boating safety programs.

Since the program began awarding grants in 2001, Washington has received a guaranteed grant of \$100,000 per year to be re-granted based on an in-state competition. In addition, grant proposals asking for more than \$100,000 are reviewed by IAC staff and eligible applications are forwarded on to compete for other federal dollars. This is a national competition for a limited amount of grant dollars. Proposals that win at the federal level have their funds funneled through the state BIG, where it shows as additional revenue for the program. Of the approximately 30 grants awarded through the national competition to-date, Washington has been awarded two, bringing Washington's total through the BIG program to nearly \$1.5 million.

The 2005 law that changed which fund supports BIG also designates 2% of the fund's dollars to BIG and directs a third more of the federal gas tax into the new fund than went into the old. These changes will both continue the BIG project and ensure funding in the future. This increase in the per-gallon contribution to the fund should off-set the recent decreases in fuel sales due to increased prices.

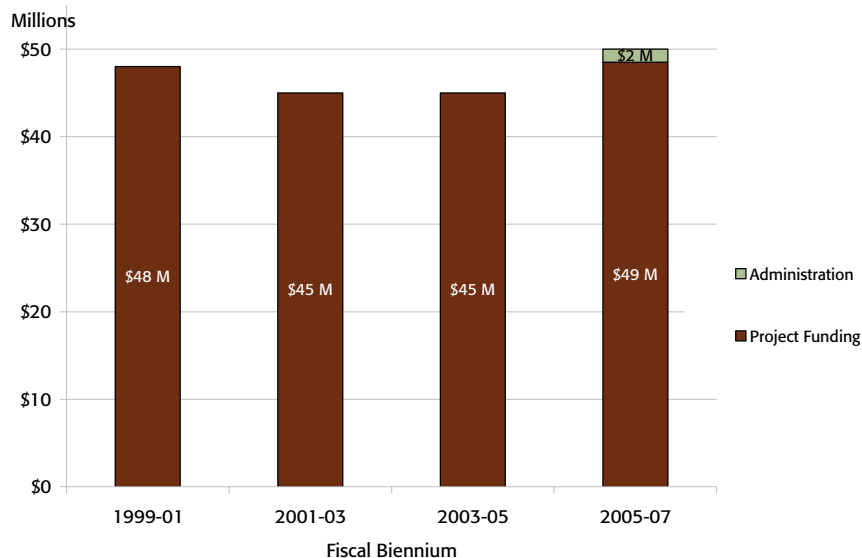
## **6.5 Washington Wildlife Recreation Program**

General Obligation Bonds are the only source of funding for the Washington Wildlife Recreation Program (WWRP). Created in 1990 to preserve and protect the State's diminishing supply of non-urban land, the bond sales are authorized each legislative session to fund a prioritized list of projects submitted by the IAC. As Exhibit D - 21 shows, over the past three biennia the program has been funded at \$45 million or more.

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## Exhibit D - 21

### Washington Wildlife Recreation Program Revenue, by Expenditure: 1999-2007



Source: IAC and Berk & Associates, 2005

Legislation passed in 2005 made substantial changes to the program, much of which goes into effect in 2007. For example, the allocation formula will change. Proceeds from the bond sales are currently divided equally between two accounts that fund grants serving different purposes within the purview of the WWRF. Beginning in 2007 two new accounts will be created, also dedicated to funding specific types of projects. The allocation formula will change in order to fund the new accounts, but not in a way that will have a significant impact on the two existing accounts' projects.

Another change introduced in the 2005 legislation allows up to 3% of funds to be used for administration, but only for the 2005-07 biennium. This change went into effect in July 2005, but the section authorizing it expires in July 2007. The cost of running the program has been and will again be paid from the Recreation Resources Account and booked against the Boating Facilities Program.

In a couple instances the legislature has earmarked funds for projects that did not go through the grant process, but this is not a recurring practice. Similarly, there is one instance of the Legislature transferring funds to the WWRF from another program, but this is also not a recurring practice.

The program's future funding is dependent on the willingness of the Legislature to authorize the sale of General Obligation Bonds each biennium.

## 6.6 Firearms and Archery Range Recreation Program

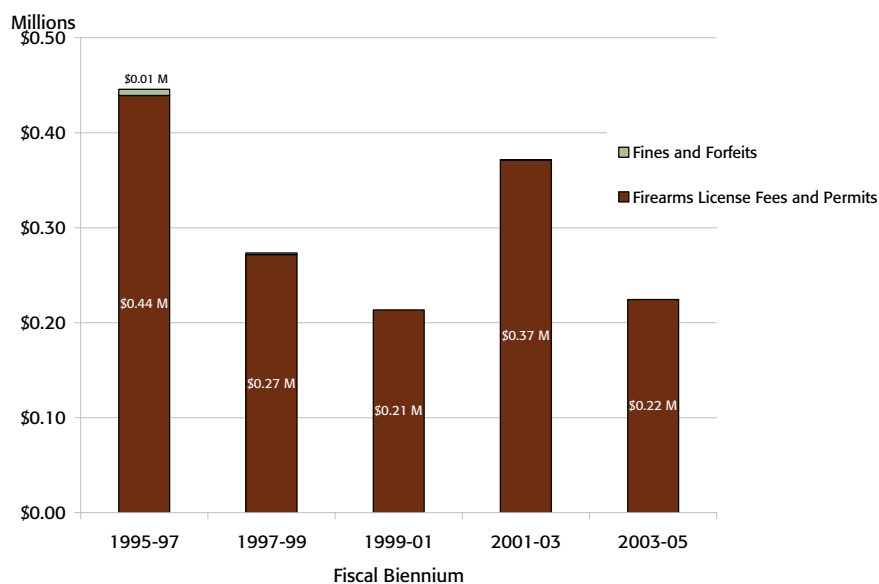
The Firearms and Archery Range Recreation Program (FARR) is funded almost entirely by a single source. Per RCW 9.41.070, the Department of Licensing gives \$3 of each \$36 concealed pistol license fee and \$3 of each \$32 concealed pistol license renewal fee to 146-1 - *Firearms Range*

*Account (State)* to be used exclusively for the FARR. The rest of the fee is distributed among the State General Fund, the local agency that issued the license, and the agency that took the applicant's fingerprints.

Each license, including renewals, is valid for five years. The licenses used to be valid for a shorter time, but the Legislature changed it to five years. Because each license is now valid for a longer time, there are fewer license transactions taking place even though the number of total licenses issued has increased. The change in how long the license is valid and therefore in the number of license transactions was not offset by an increase in the amount of each fee going to the FARR. This led to a decrease in funding, as can be seen in Exhibit D - 22. The IAC Board responded to the decrease in funds by cutting the frequency of grant competitions from once per year to once per biennium.

### **Exhibit D - 22**

#### **Firearms and Archery Range Recreation Program Revenue: 1995-2005**



Source: WA OFM and Berk & Associates, 2005

The program has also received a small amount of one-time funding. For example, FARR received the revenue from the sale of guns that had been turned over during an amnesty for unlicensed guns. The program does not depend on such transient sources, however, and their overall contribution has been minor.

## 7.0 SCHOOL CONSTRUCTION ASSISTANCE PROGRAM

The School Construction Assistance Program receives revenue from many sources. A summary of those sources follows.

**Permanent Fund Investment Income (Dedicated):** Investment earnings from the use of non renewable resources such as mineral extraction, right of way agreements, reinvestment income, and the original principal from the common school fund are included.

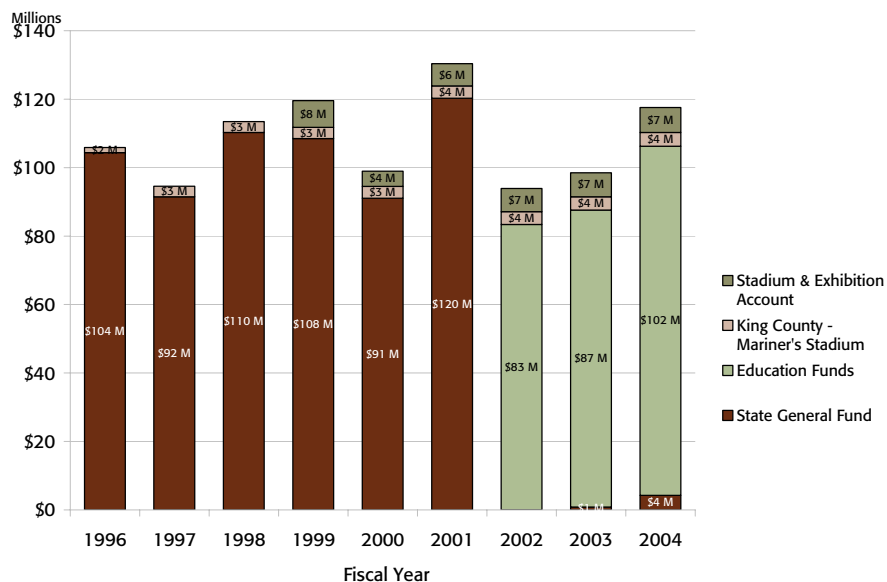
**Interest Income (Dedicated):** Interest earnings on funds deposited into the common school construction account.

**Trust Lands (Dedicated):** Revenue comes from the sale of timber, agricultural and commercial leases and other renewable and non renewable assets from trust lands.

**Federal Mineral Revenue (Dedicated):** A portion of revenue generated from the sale of minerals from federal lands in Washington.

**Education Construction Account (Appropriated):** Created with the passage of Initiative 728 in November 2000, lottery revenue is deposited into the account to fund education construction projects for both K-12 education and higher education. See Exhibit D - 23 for the history of lottery income distributions.

**Exhibit D - 23**  
**Washington's Lottery Income Distribution History: 1996-2004**



Source: Washington's Lottery and Berk & Associates, 2005

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Aside from the amount dedicated to paying off bonds sold to pay for Seahawks stadium (9.6% in 2004), lottery revenue goes to fund education. As of July 1, 2004, all lottery dollars for education go to the Education Construction Account. Prior to the passage of I-728, lottery funds went into the State General Fund.

Education Savings Account (Appropriated): This account was created to utilize savings from State agencies. Agency savings are appropriated by the Legislature.

Trust Land Transfer Program (Appropriated): Compensation from the value of timber on trust lands transferred to other public ownership. Land value is deposited into an account to purchase replacement trust land.

Bonds (Appropriated): Non-reimbursable bonds with interest paid for by the General Fund. Also, non debt-limit reimbursable bonds using a dedicated revenue source. Debt funding is appropriated by the Legislature. In past biennia, General Obligation Bonds and ECA funds have been appropriated by the Legislature to supplement dedicated revenue.

## **8.0 ECONOMIC DEVELOPMENT STRATEGIC RESERVE ACCOUNT**

The Economic Development Strategic Reserve Account (EDSRA) was created in 2005 by SB 5370. The account will be funded from one-third of unclaimed state lottery prize money. Two-thirds of unclaimed state lottery prize money is retained for use as future prize money. Any balance in the EDSRA over \$15 million will be transferred to the Education Construction Account. The Washington State Lottery has projected that approximately \$2 million will be transferred to the EDSRA in the 2005-07 biennium.

The Governor has the authority to spend the account's funds to support the Economic Development Commission (EDC) upon the recommendation of both the EDC and the Director of CTED. At least one EDC staff position will be funded from the account, as well as other EDC operational costs.

## **9.0 TAXES THAT FUND MULTIPLE SOURCES**

### **9.1 Real Estate Excise Tax**

The Real Estate Excise Tax (REET) is levied on the sale price of real estate transactions. The Department of Revenue (DOR) administers the tax, but it is collected by each county's treasurer. A portion of the tax is allocated to the State, and local jurisdictions have the authority to levy their own REET, within limits set by the Legislature. The current rate for the State portion of the tax is 1.28%, and counties in combination with cities are allowed to levy up to an additional 2.5%. The highest combined rate in 2004 was 2.78% however, demonstrating that local jurisdictions are choosing not to levy the maximum amount.

Of the State portion of REET, 92.3% goes to fund basic education. The 2005 Legislature changed the amount of State collections of REET that goes to the Public Works Trust Fund (PWTF). Until August 1, 2005 the PWTF received 7.7% of the State's share of the REET; after this date it will receive 6.1% of

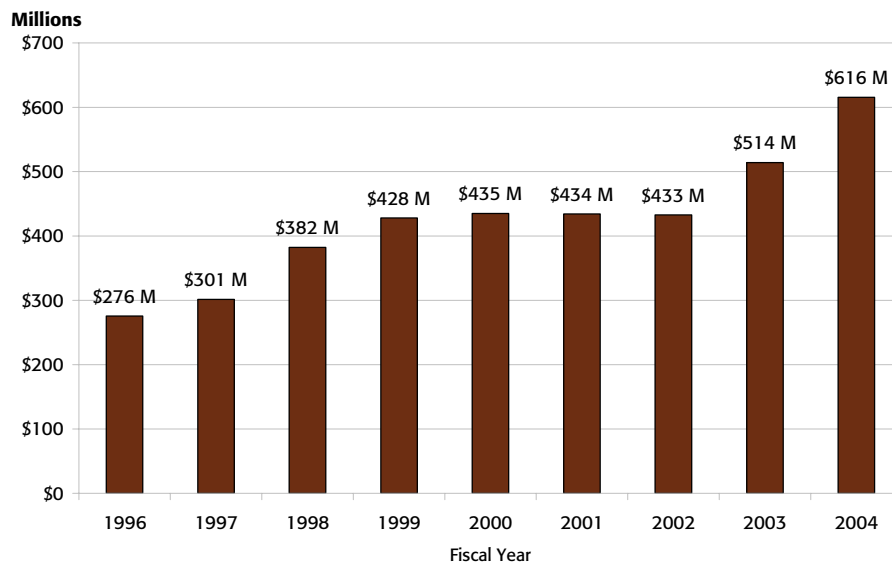


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the State's share. The 1.6% difference is to be deposited in the City-County Assistance Account to be distributed to local jurisdictions.

Revenue from REET is dependent on the State housing market. When the number of transactions increase, and when real estate prices increase, revenue increases. As Exhibit D - 24 shows, in both 2003 and 2004 revenue increased nearly 20%, but in both 2001 and 2002 it had decreased, although less than 0.5% each year. This volatility makes forecasting difficult.

**Exhibit D - 24**  
**Real Estate Excise Tax, State Portion, Revenue History: 1996-2004**



Source: WA DOR and Berk & Associates, 2005

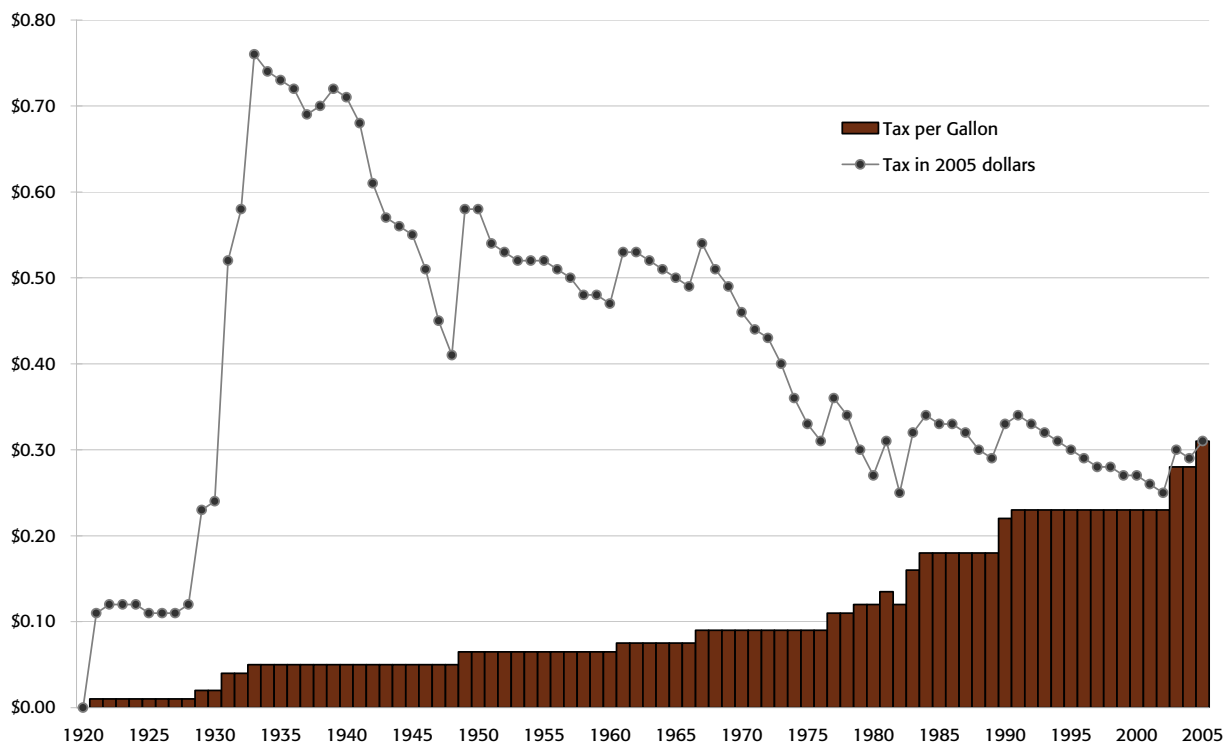
## 9.2 Motor Vehicle Fuel Tax

The Motor Vehicle Fuel Tax (the gas tax) is a major source of revenue for Washington, ranking fourth in gross receipts after retail sales tax, the B&O tax, and State property tax. The State has had a gas tax of some kind since 1921. In 1933 refunds began to be given for fuel used off-road. The 18<sup>th</sup> Amendment to the State constitution, passed in 1944, dedicated revenue from the gas tax solely to roads. This provision is still in effect.

A 1998 law changed the tax collection point from fuel distributors to the owner of the fuel at the time it first leaves the refinery or terminal. This simplified collection because only a handful of companies now pay the tax. It also reduced opportunities to evade the tax.

## Exhibit D - 25

### Washington Motor Vehicle Fuel Tax Rate History: 1920-2005



Source: WA DOR, the Bureau of Labor Statistics CPI calculator, and Berk & Associates, 2005

The tax rate is set by statute, and is currently 31 cents per gallon. Exhibit D - 25 illustrates the history of the gas tax rate, and its value in 2005 dollars. It shows that by historical standards, the present rate is relatively low in terms of purchasing power. In 2005 the Legislature passed a transportation bill that raised the gas tax from 28 cents to 31 cents, and authorized a further 6.5 cent increase to be phased in over three years. An initiative is on the ballot in November 2005 that would, if passed, rescind these increases.

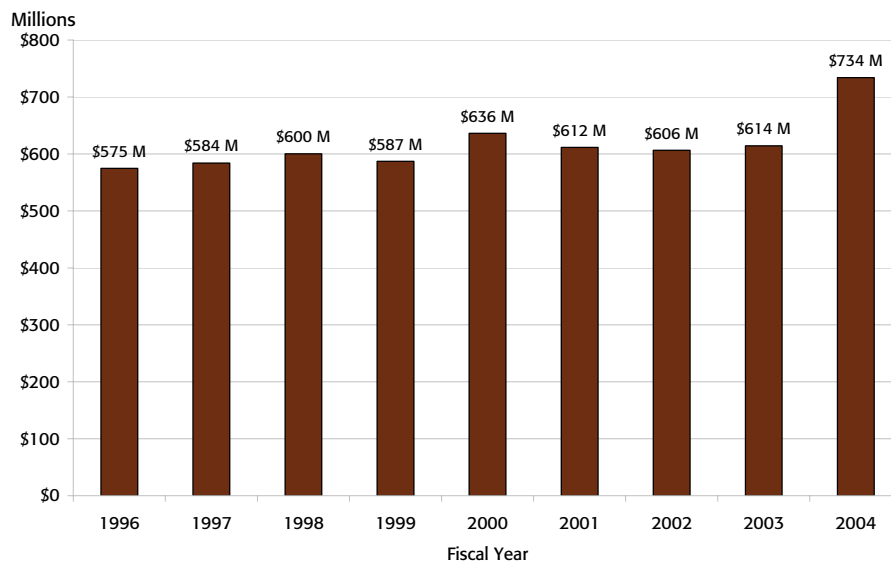
A 5 cent per gallon increase was implemented in July 2003. This increased FY 2004 revenue by over 19% compared to the prior year (see Exhibit D - 26).

Because the tax is levied on a volume basis rather than on value, changes in consumption patterns can affect receipts regardless of the price of the gasoline. If price increases reduce demand for fuel, tax receipts fall even if the total value of the gas sold goes up. The opposite is also true. Price increases in 2005 have cut retail sales of gasoline in Washington. In July, sales were down 2.6% from July 2004. Tax receipts are consequently also down, leading to adjustments of revenue forecasts for programs that receive its funds.

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## Exhibit D - 26

### Washington Motor Vehicle Fuel Tax Revenue History: 1996-2004



Source: WA DOR and Berk & Associates, 2005

Most categories of off-road use of gasoline, such as boating, farming, some aircraft operation, and industrial uses such as dyeing, are eligible for a refund of any gas tax paid. The amount due for sales tax is subtracted from the gas tax, and the remainder may be refunded or otherwise distributed as statute requires. However, recreational uses apart from boating are not eligible for refunds. The Legislature decided in the early 1970s that tax paid on gasoline used for recreational purposes on roads not supported by State funds, such as national or State forest roads, as well as taxes from gasoline used for off-road activities, should be used to provide facilities and services for these recreational activities.

The Department of Licensing (DOL) calculates how much tax was paid on marine fuel. Any marine fuel tax refunded is subtracted from the calculated amount, and remaining funds are dedicated to grants for recreational boating infrastructure. The amount paid by other recreational users, set at 1% of gas tax receipts based on a study conducted in the early 1970's, is distributed to several funds and dedicated to funding recreational facilities.

### 9.3 Hazardous Substance Tax

The State of Washington levies a tax on the possession of hazardous substances in the state. The tax was approved by the passage of Initiative 97, the Model Toxics Control Act (MCTA), in 1988. The tax rate was set by the initiative at 70/100 of one percent (0.007) of the wholesale value of substances deemed hazardous, payable by the person or company who first possesses the substance within the state.

Hazardous substances are defined by RCW 82.21.020 as:

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- Substances listed in section 101(14) of the Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980
  - Substances listed in 42 U.S.C. Sec. 9601(14), as amended by Public Law 99-499 on October 17, 1986
  - Pesticide products required to be registered under section 136a of the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. Sec. 136 et seq., as amended by Public Law 104-170 on August 3, 1996
  - Petroleum products, including plant condensate, lubricating oil, gasoline, aviation fuel, kerosene, diesel motor fuel, benzol, fuel oil, residual oil, liquefied or liquefiable gases such as butane, ethane, and propane, and every other product derived from the refining of crude oil
  - Any other substance ruled by the directory of the Department of Ecology to be a threat to human health or the environment if released into the environment

Exceptions to the above: crude oil, natural gas, alumina, certain forms of some metals, and small amounts of the above.

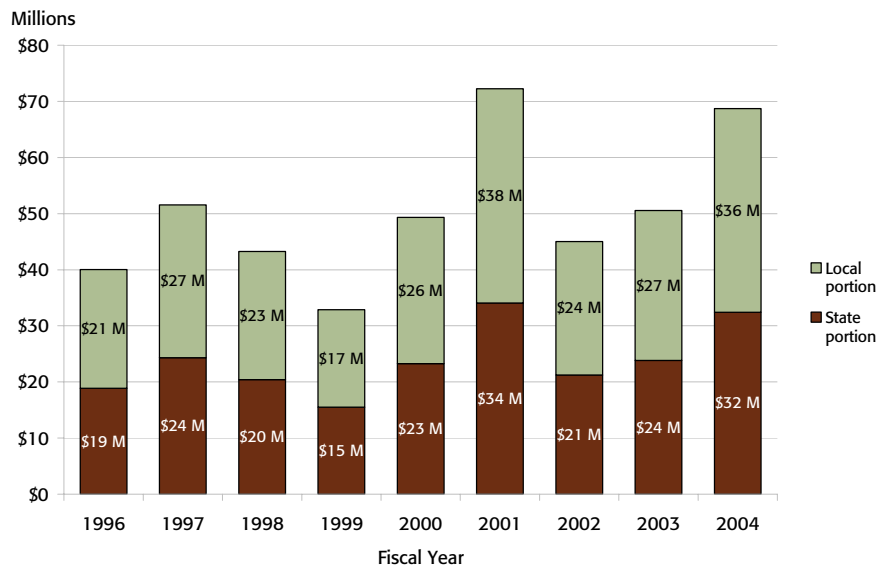
Revenue from the tax depends on the price of the substances taxed and the quantity of the substances brought into the State. See Exhibit D - 27 for the revenue history of the tax. Recent increases in oil prices should raise the price of products made from it, including many deemed hazardous and subject to this tax. The Department of Ecology expects revenue from the tax to increase because of this.

The funds collected are distributed to two accounts.

- State portion: thirty-three one-hundredths of one percent of wholesale value (47% of total collections) is deposited in account *173-1 - State Toxics Control Account*
- Local portion: thirty-seven one-hundredths of one percent of wholesale value (53% of total collections) is deposited in account *174-1 - Local Toxics Control Account*

## Exhibit D - 27

### Hazardous Substances Tax Revenue History: 1996-2004



Source: WA DOR and Berk & Associates, 2005

Both accounts fund programs that help ensure a clean and safe environment for the citizens of the State. Funds in the accounts must be appropriated before they are eligible for use.

## 9.4 Timber Tax

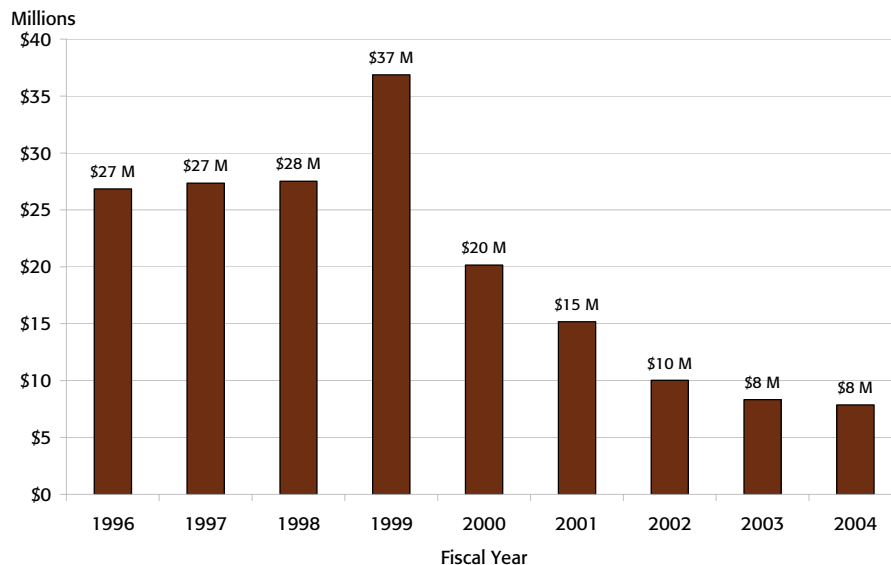
A State Timber Excise Tax is assessed as a percentage rate of the stumpage value on timber harvested from public or private land. Both a State tax and a county tax can be collected. However, the county tax may be imposed only on timber harvested on private land. Counties received distributions of \$38.7 million from this tax in 2000. The Department of Revenue collects the revenue and the State Treasurer distributes it to the counties quarterly in February, May, August, and November, based on a complex formula related to local property tax levies (*RCW 84.33.081*). The county treasurer deposits the revenue in a county timber tax account that each county must establish. The county treasurer then distributes the revenue to taxing districts in the county based upon the district's timber assessed value and the level of the district's property tax levy.

The history of the State portion of the tax can be seen in Exhibit D - 28.

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## Exhibit D - 28

### State Portion of Timber Tax Revenue History: 1996-2004



Source: WA DOR and Berk & Associates, 2005

The State's distribution formula outlines three priorities for revenue distribution to the taxing districts. There are minimum distribution levels that must be met with each. Priority 1 is taxing districts with voted bond or capital project excess levies. The amount is equal to the timber-assessed value of the district multiplied by the tax rate levied for payment of the bonds or capital projects.

Priority 2 is local school maintenance and operating levies. The amount distributed is equal to one-half of the timber assessed value of the district or 80 percent of the timber roll in calendar year 1983, whichever is greater, multiplied by the tax rate levied by the district for purposes other than those that may be included in Priority 1 above.

Priority 3 is all other levies, including the county general fund and road fund levies and the levies of junior taxing districts. The amount is equal to the timber assessed value of the district multiplied by the tax rate, if any, levied as a regular levy of the district or as a special levy that is not included in funding priorities 1 and 2 above.

If the timber excise is not sufficient to fund a complete priority, the funds will be prorated within the priority and the districts will each receive a percentage of the available funds. If there are revenues remaining after the Priority 3 allocation, an amount equal to 20 percent of what was distributed in the three funding priorities is placed in reserve for the following year. If there is still revenue remaining, those funds are distributed to the Priority 3 districts in a proportion equal to the original allocation percentages in that priority category.

Tax revenues collected from timber harvested on private and public lands go to both the state and local government. The tax rates are composed of a county forest tax rate of four percent and a State

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tax rate of one percent for a total of five percent of the stumpage value. The four percent county tax revenue is distributed among local taxing districts within the county including capital projects, voter-approved bonds, school maintenance and operations, county roads, county current expense fund, libraries, and fire districts. The State's one percent share of the tax goes to the State General Fund and is used to help support various State programs, including schools and social services.

At the local level, counties are authorized to impose an excise tax on each person engaging in business as a harvester of timber on private land. This tax, based on the stumpage value of timber harvested for sale or for commercial or industrial use, is credited against the State's excise tax. The DOR certifies to the State Treasurer the amount of the excise tax collected to be distributed to participating counties each quarter.

A major change in the tax rate structure occurred in 2004 when the Legislature instituted a ten-year phase down of the State tax on timber harvest on public lands and a commensurate transfer of this tax to counties. The change does not impact the amount of tax that is paid by harvesters but will make the State and county tax rates identical for all harvests by the year 2014.